

Office of Sponsored Programs

Procedure 30004 Cost Transfers Associated with Sponsored Awards

Revised 10/26/2023

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

1. Introduction

Responsible Officials: Senior Director of Post Award

Effective Date: November 14, 2013

Revision Date: October 26, 2023

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”).

2. Scope

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

The procedure applies to all university principal investigators, departments, and offices that are involved in the administration, use, or 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](#), [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 expenses charged to a sponsored project must be allowable, reasonable, and allocable, processed in a timely manner, adequately documented, and must comply with [University Policy 3240 – Costing Principles for Sponsored Projects](#). University departments must make every effort to correctly record expenditures to the appropriate sponsored award at the time the original entry or transaction is posted to Banner, the university's financial system. If any costs are determined to not meet the costing principles as outlined by this policy, OSP has the authority to remove those costs during any phase of the project if the department and or the PI have not removed the costs as requested by OSP.

Occasionally it may be necessary to transfer a cost to correct a posting error, or to transfer a cost to a closely related project or to remove a cost overrun.

All cost transfers also must be allowable, allocable, benefit the project, processed in a timely manner, adequately supported, and sufficiently justified by the department. This procedure establishes guidelines and processes necessary for the review of cost transfers by OSP and provides guidance on when a cost transfer might be justified.

5. Definitions

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.

Allowable Costs -- are considered appropriate and reasonable by the university and are eligible for cost reimbursement by the federal sponsor. A list of allowable costs can be found in the [Uniform Guidance Considerations for selected items of cost \(2 CFR Parts 200.420-475\)](#). Also refer to [OSP procedure 30010 Sponsored Award Expenditure General Guidelines \(Allowable Costs\)](#).

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. Refer to [OSP Procedure 10009 Mandatory Disclosure and Unallowable Costs](#).

6. Cost Transfers

Costs on sponsored projects to be transferred can be separated into two general categories:

- salary/wage expenses (salaries of faculty and staff and wages of employees and graduate assistants)
- operating expenses (contractual services, materials and supplies, travel, equipment, consultants, subcontractors, etc.).

Cost transfers for these two categories are processed in different ways as indicated below.

Departments have authorization to transfer expenditures to and from a sponsored project within 90 days after the initial charge was recorded or prior to the submission of the final expenditure report to the sponsor or the final request for reimbursement from the sponsor, whichever comes first.

7. Transfer of Salary/Wage Expense

Department Initiation of Labor Transfers

Departments must submit salary/wage transfers using the Banner Labor Redistribution System. For interdepartmental transfers, P10 form must be used to process the transfer.

Occasionally, the award negotiations may take longer than anticipated to finalize the contract or a fully executed contractual agreement is received after the project begin date. For these awards, if the PI starts programmatic work before the contract is fully executed, the department request for

a cost transfer must be within ninety (90) days of the issuance of the university Project Award Notice (PAN) and establishment of the sponsored project fund in the university's accounting system.

When requesting the Cost Transfer, the department must ensure the following:

- The costs are appropriate, allowable, and have a direct benefit to the project;
- The cost transfer has been made in consultation with and has been authorized by the PI;
- The fund receiving the charge must have adequate available direct balance to cover the labor and associated fringe costs;
- The cost transfer is requested for the pay periods within the period of performance;
- The cost transfer is made on a timely basis;
- The cost transfer has adequate detailed justification (why the transfer is required and how does it benefit the project).

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.

OSP Review of Labor Cost Transfers

Labor Redistributions requests beyond 60 days of the initial Banner posting date are routed to OSP for review and approval.

For Transfers beyond 90 days from the original posting date in Banner, OSP will review these on a case-by-case basis with additional scrutiny and will require further justification from the PI and additional approvals.

Generally, once effort reports are certified, requests to change the funding source of an employee's pay will not be approved when the transfer is to a sponsored fund. Please refer to [University Effort Certification Policy 3105](#).

8. Transfer of Costs for Operating Expenses

Department Initiated Journal Entries

Departments must submit all operating costs (other than Salaries/wages) cost transfers using the journal entry electronic format. The journal entry should be completed in consultation with the PI and approved by the department head or designee adequate justification for cost transfers must be included in the request stating why the transfer is necessary and how does it benefit the project. The Journal Entry must be accompanied by a Banner Transaction Detail Report exhibiting where and when the original charge was posted.

Operating cost transfer requests greater than total \$2,000 (debits and credits batch total \$4,000) are routed to OSP for approval with appropriate documentation. OSP will review and approve the journal entry. After approval, OSP will forward the cost transfer request to the Controller's Office for processing.

Additionally, OSP will complete a risk-based post audit review of operating cost transfers on a sample basis for less than \$2000. Any unallowable or unallocable costs discovered will be transferred to a non-sponsored fund. Post Award Associates will review projects with overdrafts and will work with the departments to remove the overdraft. If the departments do not comply after a follow-up, OSP will remove the unallowable charges using account code 11997.

9. Expenditures Incurred and Posted After the Period of Performance

Principal investigators and departmental fiscal personnel are responsible to ensure that all expenditures charged to a sponsored project are allowable and allocable. Expenditures must be posted to the sponsored project within its period of performance. It is extremely important to ensure that expenditures posted after the Period of Performance are allocable and directly benefit the project.

OSP generates a transaction report monthly from Banner Warehouse for all expenditures posted on sponsored funds after the Period of Performance end date. Expenses procured via HokieMart or with a University purchase card that post to a sponsored fund after the Period of Performance will be reviewed by OSP utilizing the receipt date to verify when the purchased goods or services were received. If the purchase was received within the Period of Performance, no action is required by the department. If the purchase was received after the Period of Performance, OSP will contact the department to determine how the expense benefited the grant.

The department will be notified to provide an explanation within 10 business days from the original notice. The department will be given an additional five business days to remove the charge from the sponsored fund if it is determined to be unallowable or unallocable. If the unallowable expense is not removed within five business days, OSP will initiate a journal entry/labor redistribution to move the charges to a default fund provided by the Controller's Office.

If the grant's period of performance is extended, then further action is not required. If the grant is pending an extension, and the modification is not received from the sponsor within 90 days from the grant end date, the department will be requested to complete a Letter of Guarantee or remove the expense from the sponsored fund. The department may return the expense to the grant fund when the extension is received.

10. 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 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.

11. References

- [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- [Virginia Tech Policy 3105](#), Effort Certification
- [Virginia Tech Policy 3240](#), Consistency in Charging Administrative and Clerical Costs
- [Virginia Tech Policy 3255](#), Cost Transfers on Sponsored Projects
- [OSP 10009](#), Mandatory Disclosure and Unallowable Cost
- [OSP 30010](#), Sponsored Award Expenditure General Guidelines (Allowable Costs)

12. Contacts

- Director for Financial Compliance and Integrity
300 Turner Street NW
Blacksburg, VA 24061
540-231-0950
- Associate Vice President for Research and Innovation, Sponsored Programs
540-231-5281

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 Assistant Vice President for Sponsored Programs Administration, effective November 14, 2013.

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on October 26, 2023.

The official version of this information will be maintained in an online web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material online prior to placing reliance on a dated printed version.
