
2113 COST TRANSFERS AND PAYROLL REALLOCATIONS

Effective: December 1986
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Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To ensure the allowability and timeliness of transfers of incurred costs to sponsored projects, including documentation requirements.

DEFINITION:

A cost transfer is defined as the moving of an expense to a sponsored project (including but not limited to clinical trials, training grants, research grants/contracts/cooperative agreements as identified in Sponsored Projects Policy 2110) when the expense was initially charged to another project or non-sponsored account. Cost transfers include a transfer that occurs during the life of the award and after the award has ended. A pattern of cost transfers from or to a sponsored project may indicate poor awards management. Payroll Reallocations processed to ensure accurate reporting of effort are not included in the definition of cost transfers (see below).

POLICY:

1. The Principal Investigator is responsible for ensuring that transfers of cost to sponsored projects, which may represent corrections of errors, are made promptly. Transfers must be supported by documentation which contains a full explanation of the need for the transfer and a correlation of the charge to the project to which the transfer is being made. Explanations such as “to correct and error” or “to transfer to correct project” are unacceptable. Documentation of the cost transfer should be provided at the time the transfer is prepared, using the Cost Transfer Justification Form.
2. The Cost transfer form must be completed and sent to the ORS Res_Cost_Transfers@lists.upenn.edu at the time the cost transfer is completed in BEN Financials. The subject line of the email should contain the fund number, Cost Transfer Category "15" or "16" as appropriate, the journal batch #, and the total amount of the cost transfer.
3. Prudence dictates that care must be exercised in making any cost transfer, especially transfers made after the termination date of a project and/or the reporting period of a project (i.e., annual financial reports). Transfers of cost to any sponsored project account are allowable only where there is direct benefit to the project account being charged. The transfer of an overdraft or any direct cost item incurred in the conduct of one sponsored project may not be transferred to

another sponsored project account merely for the sake of managing cash flow, resolving a deficit, or an allowability issue.

4. Cost transfers must be prepared and submitted within 90 days from month end in which the transaction appears on the fund. Cost transfers made after this period require ORS approval and will only be allowed under extenuating circumstances.
5. Cost Transfers may be made, provided the following conditions are met:
 - a. The cost is an allowable, allocable, and reasonable charge to the project.
 - b. The transfer is supported by adequate documentation fully explaining the need for the transfer and certified by the principal investigator and business administrator, as described in 1 above.
6. Transfers which are not made promptly, due to extenuating circumstances, must include an adequate explanation as to why there was a delay in processing the transfer.
7. Upon completion of the required BEN G&C Cost transfer training, Authorized users are to prepare cost transfers for sponsored projects fund accounts in the University's financial accounting system using Journal Entry G&C Cost Transfer Responsibility and the appropriate categories. Manual journal entries in the University's financial accounting system must include a reference to the original transaction entered in the accounting system. The documentation to support the cost transfer is detailed on the Cost Transfer Justification Form and includes, but is not limited to:
 - a. Explanation for the transfer
 - b. Explanation of the direct benefit to the funding source
 - c. Original source documentation (invoice, PDA form, receipt, etc.)
 - d. PI approval
8. The cost transfer responsibility categories are as follows:
 - *Category 15 G&C UN90* - This category should be used when entering cost transfers within 90 days of the original month end of the original transaction date. Category 15 transactions will auto post to the general ledger. The documentation to support the transfer should be maintained in departmental records in accordance with the University's record retention policy.
 - *Category 16 G&C OV90* - This category should be used when entering cost transfers that exceeds 90 days from the month end of the original transaction date. The supporting documentation for Category 16 transfers and the cost transfer justification form must be routed to ORS Post Award for review prior to or at the time the cost transfer journal is prepared. Upon approving category 16 cost transfers, ORS will post the transactions to the general ledger. The documentation to support the cost transfer should be maintained in departmental records in accordance with the University's record retention policy. Cost transfer requests that are not approved must be deleted promptly.
9. Transfers made to correct obvious transposition errors, do not require PI approval. These transfers are still subject to review and must be prepared using the G&C Cost transfer responsibility and appropriate "15" or "16" categories.

10. The following transfers must be processed using the appropriate cost transfer categories however are not considered cost transfers from one project to another and do not require the justification form:
- a. Billing of original service center charges to a sponsored project fund (These are considered original or initially recorded charges which cannot be directly allocated to the sponsored project at the time of occurrence and therefore are not considered cost transfers. Subsequent transfers to another sponsored project fund are considered a cost transfer and must be processed and documented as outlined above.)
 - b. Journals to change CNAC,ORG, OBJECT CODE, Program or CREF account code combinations within the same sponsored project fund account
 - c. Journals to reassign expenses from a prime to subaccount fund for the same sponsored project
 - d. Movement of expenses which cannot be charged directly to a sponsored project fund account when the transaction to buy goods or services took place including Inn at Penn, post-doctoral medical insurance benefit allocations, etc.

During project closeout, the Office of Research Services reserves the right to move untimely, undocumented and/or unallowable cost transfers to the department's discretionary account.

PAYROLL REALLOCATIONS:

1. Since salary distributions are initially made based on how an individual is expected to expend effort over an extended period of time, corrections to these distributions when actual effort is determined to be different, represent legitimate transactions to ensure payroll charges match effort expended. It is understood that changes to payroll distribution done at the time of effort certification is not subject to the 90 day limitation.
2. Departments are expected to review sponsored accounts monthly and make changes as soon as information is available.
3. For awards that expire in the middle of an effort reporting period, departments are responsible for ensuring the accuracy of the salary charges before ORS issues a final expenditure report. Changes to salary distributions may not be made after a final financial report is issued.
4. Payroll reallocations processed in order to avoid overdrafts or to fully expend projects at termination are unallowable charges.

ROLES AND RESPONSIBILITES

PRINCIPAL INVESTIGATOR:

- Ensure timely transfer of allowable, allocable, reasonable costs, where required
- Approve all cost transfers, including transfers over 90 days from the original transaction date

BUSINESS ADMINISTRATOR:

- Ensure timely review of costs and prompt transfer of costs when required
- Provide appropriate explanation for cost transfers
- Send copy of cost transfer form to Res_Cost_Transfers@lists.upenn.edu
- Maintain documentation to support cost transfers and PI approval in departmental records
- Prepare cost transfer journals over 90 days in the general ledger using appropriate BEN responsibility and journal categories
- Provide a copy of the Cost transfer justification form and supporting documentation to the ORS Post Award Director for review and approval when the cost transfer journal is prepare in BEN financial

OFFICE OF RESEARCH SERVICES

- Review cost transfer justification forms sent to Res_Cost_Transfers@lists.upenn.edu
- Review requests for cost transfers and related documentation for transactions that are over 90 days from the original transaction date
- Post approved > 90 day cost transfer journals to the general ledger
- Promptly inform departments when cost transfers are denied and delete the journal
- Maintain documentation to support cost transfer in ORS records