**Cost Transfers Involving Grants and Other Sponsored Programs**

**What is a Cost Transfer?** Cost transfers occur when expenditures are “moved” from one University department or program to another. The administration of any cost transfer is important, especially when federal or state sponsored project funding is involved, because expenditures may only be charged to a particular grant or contract if they can be specifically identified with the funded activity they benefit.

Office of Management and Budget Circular A-21 states that expenses “. . . may not be shifted to other sponsored agreement in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.” The Circular also pro- vides “Any cost allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.”

When sponsored projects are audited, inappropriate or poorly documented cost transfers can result in the denial of reimbursement and/or sanctions against the University. Cost transfers are considered exceptions and should occur infrequently. In general, effective financial management should make cost transfers unnecessary; however, under certain circumstances, transfers may be appropriate. Cost transfers to or from grants/contracts should represent corrections and must be made promptly after the error is discovered.

A cost transfer between grant and contract-funded restricted accounts may be made under the following conditions:

* The cost is proper and allowable by Sponsor and University policies.
* Justification for the transfer is clearly documented in writing to support the journal entry request.

Transfers are made within 90 days of the original posting. (The Project Director must personally sign all cost transfer documents submitted more than 90 days after the charge’s original posting date.) No charge may be transferred to or between restricted accounts in excess of one year from the original date of posting, except in approved extraordinary circumstances.

**What Documentation is Required to Support a Cost Transfer?** A cost transfer must be supported by a written explanation of how and why the error occurred and a certification of the correctness of the new charge. An explanation that merely states that the transfer was made **“to correct error”** or **“to transfer to correct project”** is not sufficient.

* Appropriate justification will detail:
* When the error was discovered, What the charge was for,
* Why the charge was incorrectly made, and
* How it specifically relates to the restricted account to which it will be transferred.

The intentional “parking” of charges on a restricted grant/contract pending transfer to another grant/contract account upon its funding is unallowable. Parking of charges for any reason is considered a misuse of grant funds.

Requests for grant or contract related cost transfers should be directed to NicoleHarris@clayton.edu

<http://www.clayton.edu/Grant-Contract-Programs/Links>