

Frequently Asked Questions – Cost Transfers

- [1. Why is the time period 90 days?](#)

Ninety (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper project and function. It is a standard established in federal circulars and grant policy.

Standard practice should be to post costs to the most appropriate project/grant. However, subsequent adjustments may be necessary, for example to account for unseen shifts of personnel between closely related sponsored projects, or to correct errors. These actions are reasonable if transferred within 90 days.

- [2. How do you calculate the 90 day period?](#)

The 90 days begins at the end of the accounting month that the original transaction is posted in the UML monthly reports. The “clock” runs until the transfer has been prepared and all departmental signatures have been obtained. Processing time in the Dean’s Office, Research and Sponsored Programs, and Accounting Services is not included in the determination of whether a transfer has met the 90 day criteria.

For example, if a travel expense charge is posted 9/12, the accounting date would be 9/30. Transfers completed and signed by 12/31 would fall within the 90 day period. Transfers completed and signed after that date would be considered late cost transfers.

- [3. Is this standard applicable to all sources of University funds?](#)

No, the 90-day standard is being applied only to sources of **extramurally** sponsored University projects. It is important for the University as a whole to record its costs (and associated revenues) in a timely fashion. The accuracy and auditability of its records are improved when postings and corrections are made in a timely manner.

- [4. Is this standard applicable to all my University Sponsored Projects?](#)

No, this standard is only applicable to all **extramurally** sponsored University projects and activities (Federal and Non-Federal). If you have projects managed in other fund sources (non-sponsored University projects) the 90 day rule doesn’t apply but it should be considered useful guidance.

- [5. Is this standard applicable to salaries?](#)

Yes, this standard is applicable to salary expenditures. It is especially important that, to the extent possible, payroll expenditures are budgeted and recorded on the proper project/grant at the time of their occurrence.

- [6. Can I wait until the Principal Investigator completes its effort reports before submitting salary transfers?](#)

Generally not. The intended use of effort reports is not as a check of where salary charges are made. Salary distributions should be reviewed on a regular basis so the effort reports are a reasonable reflection of the employee's paid effort when first generated. There may be situations where changes are needed to the effort reported and the corresponding salary transfer is needed. The transfer may be appropriate, but because it is beyond 90 days the transfer would also need to meet the rules around extenuation circumstances.

- [7. How should research expenditures for project work be recorded before a sponsored project is established?](#)

If funding is guaranteed (i.e. sponsor notification that the award is forthcoming but the formal award hasn't been received), a pre-award project account can be set up. If an expense must be charged before the sponsored project is established, the PI's overhead account may also be used as a temporary account to charge expenses. **Under no circumstances should new staff be hired or project costs be incurred for projects that are under negotiation or not confirmed as funded.**

- [8. What if a vendor doesn't provide an invoice for services rendered within 90 days?](#)

Although rare, this circumstance can occur and may be an acceptable circumstance for a late transfer justification. The University cannot pay for services for which it has not been invoiced. Vendors should be contacted immediately and urged to submit outstanding invoices or risk the possibility of non-collection due to lapsing funds. If a vendor invoices later than 90 days after the provision of services, the University will pay upon receipt and note for the record that the invoice was late.

- [9. What if a program is disputing an invoice with a vendor and the dispute extends beyond 90 days?](#)

The dispute should be clearly documented between the program and the vendor. The University has an obligation to notify vendors in a timely manner if goods and services are not satisfactory and to timely pursue resolution of outstanding issues. Delays due to the normal course of other business intervening, change in personnel or other departmentally based factors are not acceptable reasons for delaying posting of expenditures.

- [10. If a PI requests a salary transfer for a student and then two months later requests another transfer of the same charge to another project, what do I do?](#)

It is UML's policy that costs be charged to the appropriate sponsored project when first incurred. Unless there are extenuating circumstances clearly explained in the cost transfer justification, a second transfer is unallowable. **At no time should sponsored projects be used as back-up projects or as discretionary projects for expenses that will subsequently be transferred elsewhere.**

- [12. After a cost transfer arrives at ORA, how long does it take to be reflected on the account?](#)

Cost transfers are processed in ORA as quickly as possible (two to five days) and then submitted to Accounting or Payroll for entry into the Peoplesoft system. Cost

transfers involving multiple accounts may have a slower processing time.

Because of workload variation or accounting calendar requirements (such as month-end close-out), PIs/Administrators should allow adequate processing time before the transfer appears in the monthly reports.

- [13. Are generic statements such as “transfer to appropriate funding source” and “to reflect additional efforts” sufficient justification for transfers less than 90 days?](#)

Generic statements are not generally acceptable on extramural support cost transfers. For all charges on a project, you should be able to explain the allowability of those costs. As general guidance, acceptable justifications should be able to address the following:

1. An explanation as to why the expense was originally charged to an account from which it is now being transferred.
2. An explanation as to why the charge needs to be transferred to the proposed receiving project.
3. An explanation as to why the charge is allowable and allocable based on the terms and the conditions of the receiving award.

For cost transfers after 90 days of the accounting date, the justification must include the items above as well as two additional items:

4. Why the cost is being transferred more than 90 days after the accounting date.
5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future at the departmental level.

All cost transfers **must** be accompanied by the appropriate backup (project or overhead report) highlighting the charge to be moved so that the date of the charge, the amount, and any identifying information (PO#, staff name) can easily be seen. ORA **cannot** choose charges to move (i.e. “Please move \$1,500 of expenses from speedtype A to speedtype B). **Specific** expenses must be identified by the PI or project staff.

- [14. If my cost transfers have been delayed several months because of the limitations and problems of financial data, is that a valid reason for approving my late cost transfer?](#)

When the cost transfer is necessary due to a specific Peoplesoft problem and adequate justification is provided on the cost transfer form, ORA would consider this as an allowable extenuating circumstance. Justifications such as “Peoplesoft problem” would not be an acceptable justification and would not be allowed/approved.

- [15. May I use a cost transfer to “spend down” an account that is nearing its end date?](#)

If the cost transfer does not meet the standards for allowability, allocability and reasonableness, it will not be approved.

- [17. There is a staffing shortage in our department and I am doing payroll, department administration, grant accounting, etc. Many times my transfers are past 90 days. Will they be approved?](#)

Staff shortages or lack of staff experience are unallowable circumstances for late cost transfers. Auditors typically view this explanation as a sign that the department does not provide adequate monitoring or maintain sufficient internal control over the use of extramural funds. The Institution and the PI have a responsibility to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

- [18. A contract has been in negotiation for 5 months and the account has now been set-up. Work started and costs were charged to our PI's overhead account. Can I now transfer 5 months of salary expense to the new account?](#)

A five- month contract negotiation would be considered an allowable extenuating circumstance. The five month salary transfer should be submitted as soon as the PI knows the new account number. Supporting documentation/justification is required with the transfer.

- [19. I need to move several months of an individual's salary. A portion, but not all, of the amount to be transferred has been on the current account for over 90 days. Do I need to complete two justifications: one for the late justification and one for the portion that is timely?](#)

No, you will only need to complete one justification. However, because some of the charges were on the account for over 90 days before a correction was initiated, you must include the explanation required of late cost transfers.

- [20. I need to do a transfer because of an error created in another department or unit of campus. When I write my justification, should my explanation specify the other unit by name?](#)

Yes. While no one likes to point fingers or blame others for mistakes, it is important to explain the reason for the transfer and often, tracking down information outside of your own area will take additional time.

Approval for late cost transfers will be granted only in extenuating circumstances.

Examples of Allowable Extenuating Circumstances:

- Late issuance of an award or full execution of an agreement or subcontract after the start of the budget year or other period of performance. Supporting documentation is required. ORA recommends that a pre-award set up, which is done at the request of the Principal Investigator or designee, be done for guaranteed awards.
- Failure of a timely response in another unit when supporting documentation has been properly submitted, e.g., a properly submitted payroll distribution change request. The original or copy of supporting documentation will be required.
- Transfer of expenditures to a sponsored project where the appropriate account could not be activated on a timely basis before the begin date of the project.

Examples of Unallowable Circumstances for Late Cost Transfers:

- Absences of the PI or designee, or shortage or lack of experience of staff. It is the responsibility of the College/School and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
- At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.