



OFFICE OF COMPLIANCE SERVICES
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UNIVERSITY OPERATING PROCEDURE

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Title: Cost Transfers Involving Sponsored Agreements

Overview

It is the policy of the University of Vermont that costs shall be charged to the appropriate sponsored agreement when first incurred. Costs may not be transferred after they are initially recorded except in compliance with this University Operating Procedure (UOP). The University requires that all cost transfers be completed in a timely manner and be supported by documentation that fully justifies the appropriateness of the transfer. This procedure and its guidelines and definitions provide guidance on how to minimize cost transfers. They also set forth standards that are consistent with applicable federal guidance and sponsor-specific requirements.

Throughout this UOP, the word "department" refers generally to the unit processing the cost transfer and encompasses department, college, school, center, or other administrative unit.

Applicability of the Procedure

This Operating Procedure applies to all employees, including administrators, staff, faculty, and student employees who manage, supervise, or conduct University business or financial transactions or activities under an externally sponsored project. This includes, but is not limited to, Principal Investigators (PIs) and Unit Administrators. This procedure applies to all sponsored agreements, federal and non-federal.

Definitions

<u><i>Account:</i></u>	A combination of chartfield values in the University's Chart of Accounts that brings meaning to the transaction.
<u><i>Accounting Date:</i></u>	For the purposes of this UOP, the accounting date is the date of the original expense in the General Ledger of the university's accounting system.
<u><i>Advance Account:</i></u>	A project that facilitates the initiation or continuation of a sponsored agreement before receipt of the award or official notice from the sponsoring agency. A guarantee of internal funding is required before an advance account is approved in case funding is not awarded.
<u><i>Cost Transfer:</i></u>	A cost transfer is the assignment of an expense or expenditure (charge) to a sponsored agreement that was initially recorded elsewhere in the University's general ledger.

- Documentation: A detailed explanation and support documents as evidence to substantiate allocability, allowability, and reasonableness of a specific transaction.
- Federal Formula Grant: Federal funding for which the allocation methodology is strictly determined in federal statute or regulation. University examples of federal formula grants are the Hatch, McIntire-Stennis, Multi-State, Animal Health and Smith Lever Acts for Agricultural Research and Extension purposes.
- Operating Costs: For the purposes for this UOP, operating costs include all expenditures other than salary, wage, stipend and fringe expenses.
- Payroll Costs: For the purposes for this UOP, payroll costs include: Salary, wage, and stipend expenses paid through the University's PeopleSoft Human Capital Management module. All additional payments above the base salary or hourly rate are included in these costs.
- PI (Principal Investigator): As defined by Sponsored Project Administration, the individual responsible for determining that the expenditures are necessary, allowable, allocable, reasonable, properly approved, and adequately documented.
- PI Designee: A PI Designee is a University personnel member trained in the respective delegated duties.
- Procurement Card Interim Reallocation Process: The online method of reallocating charges from the default chartstring assigned to a purchasing card to another authorized chartstring. These reallocations occur within the purchasing card cycle of the original purchase.
- Submission date: A submission date is the most recent signature date from the initiating department on the cost transfer form. For Operating cost transfers, submission date is the date of journal submission, the date time stamp in PeopleSoft. For Payroll cost transfers, submission date is the most recent signature date in the approval workflow prior to central unit approvals.
- Verification of Transactions: A process whereby financial transactions are analyzed to see if they meet the standards of reasonableness, allowability, and allocability, and are in accordance with sponsor and University guidelines.

Exceptions

1. **Timely Salary Distribution & Additional Payment (eAPFs) Changes** - Salary distributions and additional payment forms are initially made based on estimated effort over an extended period of time. In accordance with UVM's [Effort Management Policy](#) effort must be reviewed on a quarterly basis. Timely corrections to reflect actual effort made within 90 days of the original accounting date is not a cost transfer. However, the initiator must include an additional departmental approver in the workflow when sponsored project chartstrings are being corrected.
2. **Purchasing Card Purchases** – Reallocations to a sponsored agreement through the University's procurement card reallocation process are not considered a cost transfer. Per the cardholder acceptance agreement, cardholders must ensure that charges to default chartstrings are either correct or are reallocated to the correct chartstring before the end of each monthly procurement cycle.
3. **Chartfield value changes** – If the sponsored project and the allocation percentage remained unchanged, a change to a chartfield such as the source value is not a cost transfer.

4. **Reallocations of Operating Costs within the same sponsored agreement** – Operating cost reallocation between projects and source within the same sponsored agreement are not considered cost transfers. This exception pertains to multi-disciplinary and multi-scope grants which have multiple project IDs under one sponsored agreement in PeopleSoft.
5. **Central write off of expenses** – Write-off of expenses from sponsored projects for adjustments (up to \$500) at closeout are not considered cost transfer. These write-offs are rare and occur only after exhausting all other viable alternatives.
6. **Predetermined cost allocations** in PeopleSoft are not cost transfers. For example, tuition remission costs are removed from fringe expenses on USDA sponsored agreements.

Procedures

All University employees with responsibilities for sponsored agreements are expected to be aware of and comply with this UOP and the principles and requirements listed below. Confirmed violations may result in disciplinary action. In some instances, other independent charges may also result. Procedures for the investigation of suspected violations, imposition of disciplinary action, and the availability of grievance or appeal channels shall be governed by otherwise applicable University policies, handbooks, and collective bargaining agreements.

The University of Vermont follows the applicable federal guidance for cost transfers. Any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by cost 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 federal guidance contains the following two standards for financial management systems:

1. Written procedures exist for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the sponsored agreement.
2. Accounting records including cost accounting records are supported by source documentation.

Additionally, the University follows the [NIH Grants Policy Statement](#), other sponsor-specific guidance, and the specific terms and conditions of individual sponsored agreements.

Minimizing Cost Transfers

Charging the Correct Sponsored Agreement – The University expects that all costs are allocated to the appropriate sponsored agreement when the costs are initially incurred.

Per the University's Cost Policy on Sponsored Agreements, the four guiding principles of reasonableness, allocability, allowability, and the consistent treatment of the cost type (direct vs. indirect) must be used to determine whether a cost can be charged to a sponsored agreement. See the [Cost Policy](#) for criteria definitions.

Cost transfers must not be used as a means of managing costs on sponsored agreements. For example, expenses may not be temporarily posted to a sponsored agreement if the expenses are not allocable to that sponsored agreement. Similarly, small percentage changes in effort may not be submitted for the sole purpose of using up the unexpended dollars of a sponsored agreement.

Advance Account – An advance account should be established and used per the Establishment of Advance Accounts for Sponsored Projects procedure to minimize the use of cost transfers when, for example, awards are executed after their start date.

Departmental Suspense Account – The primary purpose of a departmental suspense account is to temporarily post encumbrances and expenses when a sponsored agreement is pending, funding has not been guaranteed, and no advance account has been established. Encumbrances and expenses should be transferred to the appropriate advance account or sponsored agreement within one month after the appropriate chartstring(s) are available.

Payroll Allocations – Principal Investigators should request planned payroll distribution changes in advance of personnel applying actual effort on their sponsored agreements.

Bi-weekly payroll personnel or a responsible official with suitable means of verification must ensure that hours charged to a sponsored agreement through the hourly submission processes of the University are correct.

Non-Payroll Allocations – To avoid unnecessary cost transfers, research personnel must charge or allocate goods and services among sponsored agreements at the time of the original purchase whenever possible and practical.

Timeliness of Identifying and Correcting Costing Errors

Identifying Costing Errors – It is the responsibility of Principal Investigators or PI Designee to ensure that verification of financial transactions on their respective sponsored agreements occurs on a timely basis (at least monthly). A cost transfer for any identified errors shall be processed promptly after an error is discovered.

Timely Costing Error Correction (90-day rule) – Cost transfers must be prepared and submitted no later than 90 calendar days from the accounting date of the original posting of the cost.

For Payroll cost transfers, submission date is the most recent signature date in the approval workflow on the cost transfer form prior to central unit approvals.

For Operating cost transfers, submission date is the date of journal submission, the date time stamp in PeopleSoft.

Untimely Cost Transfer Requests (> 90 days) – A cost transfer is considered untimely when it is submitted greater than 90 days from the accounting date of the original posting of the cost. Untimely transfer requests will only be approved under extenuating circumstances.

Unallowable Expenses – Departments must promptly remove all unallowable expenditures, once they are identified, regardless of timeframe.

Justification and Documentation of Cost Transfers

Cost transfers must be properly justified on the appropriate Cost Transfer Justification Form and submitted with sufficiently detailed documentation. The justification must include a detailed explanation from which an independent reviewer can understand the transfer request and conclude whether the expenditure is appropriate. A statement that merely states “to correct error” or “to transfer to correct account” is not sufficient. If the cost transfer is untimely, then the Cost Transfer Justification Form must also describe both the extenuating circumstances that justify the transfer and the corrective action that has been instituted to prevent future untimely cost transfers. All pertinent questions on the form must be answered completely and accurately.

Supporting Documentation – Supporting documentation is required to identify the original cost and confirm when the original cost was posted to the University’s general ledger.

- Payroll Related Cost Transfers
 1. The current salary distribution form or the original Additional Pay Form are required for cost transfer over 90 days from the original accounting date.
 2. The UV_TL_PAYABLE_TIME_DETAIL query details are required for all hourly wage cost transfers. See [wage transfer user guide](#) for more information.
- Non-Payroll Related Cost Transfers – A copy of the Monthly Budget Report (Operating or Project) that displays the original chartstring, transaction, transaction number, and accounting date is an example of acceptable documentation.

Additional supporting information may be required for unusual circumstances.

Authorization and Approvals

The primary responsible person for financial accountability involving a cost transfer on a sponsored agreement is the Principal Investigator (PI). The PI may delegate the administrative processing of a cost transfer to a PI designee, a University personnel trained in those respective delegated duties. Delegation will not relieve the PI of responsibility for compliance.

Departmental Approvals of Cost Transfers – All cost transfers involving sponsored agreements, whether for labor or goods and services, require preparation and approval. Departments shall ensure that no one person has complete control over all aspects of a cost transfer. The individual who prepares the cost transfer request must not be the same person who approves it. The PI of the sponsored agreement receiving the charge must approve the cost transfer request if it is submitted more than 90 days from the accounting date of the original transaction. The approval may be demonstrated by a signature, e-mail, or via electronic workflow. When email is used for approval, the email content must be clear and explicit for an approver and/or an auditor to ascertain specifically what has been approved.

Central Unit Approval of Cost Transfer Requests – Central administrative units must review the appropriateness of cost transfer requests in a timely manner. Depending on the timeframe of the cost transfer request, the following approval levels are required:

Time Frame	Cost Transfer Request Type	Central Unit Approval
≤ 90 days	Hourly Wage Transfers	Financial & Cost Accounting Services (FCAS)
	Non-Payroll Expenditure	Sponsored Project Administration (SPA)
> 90 days Cost Transfers with extenuating circumstances	Payroll Expenditures	Financial & Cost Accounting Services (FCAS)
	Non-Payroll Expenditure	Sponsored Project Administration (SPA)

Note: The Associate Controller, or delegate, must approve all untimely payroll cost transfers and Sponsored Projects Administration (SPA) approves all payroll cost transfers within 30 days of the end date of the sponsored agreement for budget purposes.

Examples of extenuating circumstances that will be considered are:

- Late issuance of an official University communication regarding a sponsored agreement notice that is beyond the control of the requestor (activation of a new award or advance account, full execution of a subcontract, an extension of time, incremental funding, etc.)
- Failure of another department to take action when supporting documentation has been promptly submitted.

Extenuating circumstances generally do not include:

- Absence of the Principal Investigator or cognizant administrator or lack of experience of the staff administering the awards.

Untimely cost transfer requests without extenuating circumstances must be charged to institutional funds.

Unallowable Expenses – If the Department has not provided sufficient justification and documentation in a timely manner or has not transferred an unallowable expense off a sponsored agreement, Sponsored Project Administration has the authority to transfer the unallowable expense to the general fund account of the PI's unit.

Effort-related expenditures on a sponsored agreement that have not been certified within the timeframes of the University's Effort Management and Reporting Policy are subject to immediate removal from the sponsored agreements. Departments should be notified in advance of pending cost transfers to their respective general fund account and will have five business days to provide either justification for additional time or a specific general fund account other than their main general fund chartstring.

Contacts

Questions concerning the daily operational interpretation of this UOP should be directed to the following:	
Title(s)/Department(s):	Contact Information:
Associate Controller, Financial & Cost Accounting Services	costacct@uvm.edu
Sponsored Project Administration (for Non-payroll related Cost Transfer Requests questions)	(802) 656-3360 spa@uvm.edu

Forms/Flowcharts/Diagrams

- [Non-Payroll Cost Transfer Request Justification Form](#)
- [Payroll Cost Transfer Request Justification Form](#)

Related Documents/Policies

- [Administrative Policy for Sponsored Project Administration Procedures](#)
- [Cost Policy on Sponsored Agreements Policy](#)
- [Effort Management and Reporting on Sponsored Agreements Policy](#)
- [National Institutes of Health Grants Policy Statement](#)
- [Non-Payroll Cost Transfer Procedure](#)
- [OMB Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

Training/Education

Training related to this policy is as follows:

Training Topic:	Cost Transfers on Sponsored Projects		
Training Audience:	Department Administrators, Grant Managers, Principal Investigators	Delivered By:	Sponsored Project Administration, Financial & Cost Accounting Services
Method of Delivery:	On-Line	Frequency:	Annually

About This Procedure

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