



**Purpose**

The purpose of this Policy is to provide guidance to Principal Investigators and others responsible for the administration of sponsored projects on the requirements related to salary and non-salary cost transfers to assure compliance with regulations, sponsor terms and conditions, and applicable cost principles.

**Policy**

Cost transfers are closely scrutinized by the federal government. The expectations associated with cost transfers are outlined in a number of federal regulations including eCFR::2CFR Part 200-Uniform Guidance Administrative Requirements and specific agency policies on cost transfers (i.e., NIH Grants Policy Statement).

To address improper cost transfers, eCFR 200.405 Allocable Costs states that “Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

The following are examples of improper and unallowable cost transfers between or to a sponsored project:

- a. To utilize unexpended funds.
- b. To avoid or alleviate over-expenditures.
- c. To transfer an unallowable cost to another project.
- d. To circumvent award restrictions.
- e. To reimburse a temporary “loan” of funds from another sponsored project.

It is the policy of the University that grant expenditures are to be charged to the appropriate sponsored project when first incurred. However, there may be circumstances in which it is necessary to transfer expenditures to a sponsored project after the initial recording of the charge.

Such transfers require monitoring for compliance with Illinois Tech policies, federal regulations, sponsor specific policies and guidelines, and the cost principles that guide fiscal activities on sponsored projects.

Cost transfers require the following:

- a. Compliance with University and sponsor policies as well as federal and state regulations. Expenditures must be allowable, allocable, reasonable, and consistent.
- b. Timely – cost transfer requests should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days after the original posting is made and/or within 30 days of the project end date, whichever comes first. Generally, cost transfer requests are processed for expenditures incurred during the current fiscal year only. Certain exceptions may apply and are at the discretion of and subject to approval by the Grant and Contract Accounting office.
- c. Fully documented – cost transfers must contain a justification that clearly shows:
  1. How the expense directly benefits the receiving project.  
The expense is allowable and allocable to the new sponsored project.
  2. There are no restrictions which preclude this transfer (i.e., restrictions on travel or equipment).
  3. The transfer complies with all Illinois Tech policies.
  4. The reason the expense was charged incorrectly to the initial cost object (FOAP).
  5. The reason for any delay in the timely processing of the transfer - for cost transfers older than 90 days after the accounting date, the justification must provide an explanation for the delay in submitting the cost transfer request.
  6. Any systemic reasons which might cause a repetition of this problem have been addressed. For example, for cost transfers older than 90 days, what corrective action has been taken at the departmental level to eliminate the need for future cost transfers of this type?
- d. Have appropriate approvals – the transfer was reviewed by a knowledgeable person, usually the Principal Investigator.

The justification must answer the questions of **who, what, where, when and why**.

Cost transfer requests must be initiated using the

- Request for Cost Transfer form (non- salary expenditures)
- <https://www.iit.edu/sites/default/files/2025-01/gca-salary-reallocation-form.xls>
- Request for Salary Reallocation form (salaries)
- <https://www.iit.edu/sites/default/files/2025-01/gca-salary-reallocation-form.xls>

All questions listed on the Request for Cost Transfer form must be answered in detail. If applicable, the 90-day certification box must be marked. For cost transfers where the original charge was posted more than 90 days prior, the Cost Transfer Explanation and Justification section must be completed in full.

All cost transfer forms must be supported with proper documentation.

Any improper costs charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. While it is not appropriate to transfer unallowable costs between sponsored projects, as specifically described in eCFR::2CFR Part 200-Uniform Guidance Administrative Requirements, the Principal Investigator or departmental grant administrator should request a cost transfer from a sponsored project to another non-restricted cost center (i.e., departmental FOAP). Transfer requests which are improper or otherwise unallowable, will not be processed by GCA.

If an unallowable expenditure is not removed from the sponsored project within 30 days of discovery, Grant and Contract Accounting will automatically charge the respective departmental account/FOAP. The department will be notified prior to completion of the transfer.

Sponsors may have more restrictive guidelines on cost transfers. Departments should consult Research Administrative Services (RAS) when in doubt about the appropriateness of a proposed cost transfer.

#### **Definitions**

A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored project or a non-sponsored account (FOAP). Cost transfers include salary and non-salary expenditures. Cost transfers consist of charges created in departments, labs, or centers, clerical error corrections, transfers between tasks of the same sponsored project, assignment of a portion of the cost to a sponsored project (split cost), salary reallocations to reflect accurate time and effort, removal of disallowed costs, and clearing overdraft at the end of the project. When an expense is originally charged to a grant, a certification is made that it is allowable, allocable, and directly benefits the project. A cost transfer invalidates the original certification.

#### **Procedures**

##### **Cost Transfers Procedure (Non-Payroll)**

Each Principal Investigator (PI) must review charges posted to respective sponsored project(s) in a timely manner to ensure compliance with Illinois Tech policies, federal regulations, sponsor specific policies and guidelines, and the cost principles that guide fiscal activities on sponsored projects. This review should allow the PIs the opportunity to identify errors, omissions, or irregularities affecting their project(s), which may prompt a cost transfer request.

## **INITIATING COST TRANSFER**

Cost transfer requests must be initiated using the Request for Cost Transfer form (non-salary expenditures): <https://www.iit.edu/sites/default/files/2021-08/gca-cost-transfer-form.xls>. All questions listed on the Request for Cost Transfer form require a detailed response. If applicable, the 90-day certification box must be marked. For cost transfers where the original charge was posted more than 90 days prior, the Cost Transfer Explanation and Justification form is required. All cost transfer forms must be supplemented with proper documentation. Examples of documentation supporting cost transfers include:

- a. Copies of invoices, vendor checks, P-card receipts and/or statements, campus service unit billing
- b. Financial reports showing the original transaction posting
- c. Banner system records/print-screens
- d. Description of cost allocation methodology
- e. Notes/memos and other documents

## **TRANSFERS BETWEEN OR TO A SPONSORED PROJECT**

The PI or department grant administrator must complete the electronic Cost Transfer form, attach supporting documents, and submit the cost transfer request to Research Administrative Services for review. The form will then be submitted to Grant and Contract Accounting for processing. Examples of supporting documentation are listed above.

## **PROCESS**

- a. As soon as errors are identified and no later than 90 days after the end of the accounting month in which the transaction journal has posted, the Principal Investigator or other responsible individual (department grant administrator) will submit the completed, signed and dated Request for Cost Transfer form to the Research Administrative Services office.
- b. For cost transfers associated with transactions posted more than 90 days prior, all questions listed on the Request for Cost Transfer form must be answered in detail to meet the cost transfer justification requirements.
- c. Relevant supporting documentation must be provided with cost transfer request form(s).
- d. Research Administrative Services will review the submitted request for allowability and allocability of charges to the project in question, and completeness and accuracy of paperwork. The paperwork will be returned to the originator if incomplete or transferred charges do not conform to the approved sponsor budget.
- e. RAS will forward the approved transfer request to Grant and Contract Accounting for processing. GCA will analyze the proposed changes, prepare a journal entry, and enter identified corrections into the Banner Finance system.

## **Salary Reallocations Procedure**

### **GENERAL PROVISIONS**

The distribution of salary charges for university personnel should be a reasonable reflection of the employees' effort. Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distributions should be reviewed on a regular basis to eliminate frequent cost transfers.

For a Salary Cost Transfer to be permissible, it needs to meet the criteria of both timeliness and appropriateness. Salary cost transfers must be processed immediately after the error is identified and not later than 90 days after the end of the accounting month in which the transaction journal has been posted. Each salary cost transfer must be clearly explained with supporting documentation. The PI or designee has the primary responsibility for fulfilling these requirements and providing appropriate documentation.

### **INITIATING COST TRANSFER (Salary)**

Cost transfer requests must be initiated using the Request for Redistribution form  
<https://www.iit.edu/sites/default/files/2025-01/gca-salary-reallocation-form.xls>

For cost transfers where the original charge was posted more than 90 days prior, the Cost Transfer Explanation and Justification is required. All cost transfer forms must be supported with proper documentation. Examples of documentation supporting cost transfers include:

- a. Copy of Sponsor-approved award budget and budget justification
- f. Copy of Income Tuition Voucher document
- g. Labor and/or financial reports
- h. Banner system records/print-screens
- i. Description of cost allocation methodology
- j. Notes/memos and other documents (inter-departmental correspondence, correspondence with central office).

### **PROCESS**

- a. As soon as errors are identified and no later than 90 days after the end of the accounting month in which the transaction journal has been posted, the Principal Investigator or designee must complete the Request for Redistribution form, secure required departmental approvals and submit the completed form to Research Administrative Services.

- b. For cost transfers associated with transactions posted more than 90 days prior, the Cost Transfer Explanation and Justification form must be completed and submitted with the Request for Redistribution form. All questions on this form must be answered in detail to meet the cost transfer justification requirements.
- c. Relevant supporting documentation as described above must be provided with cost transfer request form(s), including complete justification.
- d. Research Administrative Services will review the submitted request for allowability and allocability of charges to receiving project, and completeness and accuracy of the paperwork. The paperwork will be returned to the originator if incomplete or if proposed transfers do not conform to the Sponsor-approved budget.
- e. RAS will then submit the salary reallocation request to Grant and Contract Accounting. GCA will analyze the proposed changes then enter the new salary distribution into the Banner HRS system
- f. RAS will update Time and Effort reports based on the new salary distribution schedule for affected periods and will distribute these reports for re-certification.

The Request for Redistribution form should not be used for any expenses that have not yet been incurred.

#### **Guidelines**

#### **ISSUES RELATED TO COST TRANSFERS**

**Advance or Pre-award costs** – for the effective and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred prior to receipt of the award document and actual funding. Many sponsoring agencies do allow 90-day pre-award spending. In such cases departments/Principal Investigators should process an Advance Expenditure Authorization Request form through the Office of Sponsored Programs and Research:

<https://webmaster.iit.edu/files/grant-and-contract-accounting/advanced-expenditure-authorization.pdf>

The advance or pre-award FOAP will become a permanent project number when the award is received and processed and cost transfers will not be required or necessary. Pre-award costs must be charged to a pre-award account and may not be placed on an unrelated award and later transferred to the benefiting project.

**Costs benefiting more than one project** – A cost benefiting more than one project should be allocated at the time of the expenditure in proportions that can be approximated through

reasonable methods. At no time should a sponsored project be used as a holding account for costs that will subsequently be transferred elsewhere.

**Continuation Costs** – if a continuation budget is anticipated after the end date of the current award year/segment (multiple-year awards) or a continuation award is expected after the end date of the project, costs may continue to be charged to the current active FOAP if approved in accordance with IIT's Advance Expenditure Authorization Policy (this is not required on multi-year awards).

**Overdrafts** – An overdraft exists if expenses exceed funding. A transfer of expenses should be made by removing the expense prior to the award closeout (30 days from the award end date). If the Principal Investigator fails to address an overdraft, Grant and Contract Accounting will transfer excess charges to the departmental account/FOAP in accordance with IIT's Grant Deficit Policy to resolve the deficit.

**Close-out of Sponsored Project** – Principal Investigators and departmental administrators overseeing sponsored projects should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not allowable, allocable, and reasonable. If uncertain about the allowability of expenses Principal Investigators and departmental grant administrators should review the award agreement and/or contact Research Administrative Services for clarification prior to charging the award.

**Unexpended balances** – It is improper to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. In many cases, the unexpended funds are simply an unutilized budget, which is de-obligated by the sponsoring agency once final financial reporting is submitted. Exceptions include fixed price contracts, agreements allowing the carry-forward of funds, and agency-approved no-cost extensions.

## **EXTENUATING CIRCUMSTANCES**

Approval of cost transfers submitted later than 90 days will be granted only in extenuating circumstances. These circumstances do not include absences of a PI or responsible administrator, nor shortage or lack of experienced staff. Acceptable extenuating circumstances may include:

- a. Delayed issuance of a notice of grant award or full execution of an agreement or subcontract after the start of a budget year or other period of performance.  
Supporting documentation is required.
- b. Failure of a timely response in another unit when supporting documentation has been properly submitted i.e., a properly submitted payroll distribution change request.  
Supporting documentation is required.
- c. Transfer of expenditures to a sponsored project where the appropriate account could not be activated before the start date of the project.

<b>References</b>  eCFR::2CFR Part 200-Uniform Guidance Administrative Requirements
<b>Responsibilities</b> NA
<b>Required Forms</b> Request for Payroll Redistribution <a href="https://www.iit.edu/sites/default/files/2025-02/gca-salary-reallocation-form.xls">https://www.iit.edu/sites/default/files/2025-02/gca-salary-reallocation-form.xls</a>  Cost transfer Form <a href="https://www.iit.edu/sites/default/files/2021-08/gca-cost-transfer-form.xls">https://www.iit.edu/sites/default/files/2021-08/gca-cost-transfer-form.xls</a>