A cost transfer is a direct charge expense transferred from one university account to another after the charge has been posted to the General Ledger. Transfers of expenses from a sponsored project fund to an unrestricted University account may occur when such expenses are determined to be unallowable. Since costs must be charged to sponsored projects funds accurately and according to applicable rules and regulations, transfers of original transactions should not be necessary. In rare circumstances, charges must be moved from one sponsored project account to another. In such instances, cost transfers are allowable with proper justification and approval by the Principal Investigator (PI).

Allowable Cost Transfers:
To be acceptable, cost transfers into a sponsored project fund must meet the following criteria:
- Occur in a timely manner (i.e., in the case of an erroneous charge costs should be transferred as soon as the error is discovered but not later than 90 days after month end in which the expense was incurred.)
- Are allowable under sponsor and university policies
- Adequately describe the purpose of the entry, including an explanation of the reason for the entry
- Are necessary to appropriately allocate expenses to a correct fund

Types of Allowable Cost Transfers:
Costs can be transferred for the following reasons:
- To correct clerical or accounting errors, such as transposition of numbers; or posted to the incorrect expense description, however a specific reason must be given: “correction of clerical error” is insufficient
- Amend internal charges posted to the wrong fund by different university departments.
- Resolve any misunderstanding of instructions from the PI
  Such transfers must be requested by the PI, the acting departments Administration Assistant or a Business Office Accountant depending on the correction. All requests must be approved by the PI prior to the request.

The JE’s must be completed by the Business Office Accountant and they will post it to the general ledger. It must be documented with a full explanation of how the error occurred and a correlation of the charge to the fund to which the cost is transferred. Documentation must be retained according to the University’s Record Retention Policy.

The transfer should include the following information and any other pertinent details:
- Provide a description of why the error occurred. Do not use the terms "to correct an error" or "to charge the correct project." Fully explain the circumstances of the error.
- Correlate the expense item to the project to which the cost is being transferred, and if transferred to a sponsored projects account, explain how the cost benefits the project.

For the Journal Entry forms, see [http://pacificu.edu/offices/bo/forms/documents/JEBlankForm.xls](http://pacificu.edu/offices/bo/forms/documents/JEBlankForm.xls).
For the Record Retention Policy, see [http://www.pacificu.edu/offices/bo/stafffaculty/documents/RecordRetentionPolicy_000.doc](http://www.pacificu.edu/offices/bo/stafffaculty/documents/RecordRetentionPolicy_000.doc)

Unallowable Cost Transfers:

Funds in Overdraft Status:
The transfer of charges from a fund in overdraft status to a federal award (including federal awards passed through another sponsor) is expressly unallowable in accordance with OMB Circular A-21: Cost Principles for Educational Institutions, Section C.4.2. This section specifically states that “Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements 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.”
Grant Cost Accounting Standards - Guidelines for Cost Transfers

- This includes any amount charged in excess of the federal share of costs for the project period (competitive segment).
- Transfers of cost from one project to another or from one competitive segment to the next solely to cover cost overdrafts are not allowable. Costs allocable to a new competing segment should be moved to a newly created account number in anticipation of the award.
- Regardless of sponsor, costs may only be charged to projects benefiting from that expense.
- If there is an overdraft status within a sponsored project fund the relevant Dean would be required to remedy the situation, and to fund the overdraft with department funds.

Funds Terminating with Unexpended Balances:
In accordance with the requirements of OMB Circular A-21, costs must be allowable, allocable and reasonable/necessary. Therefore, costs should not be transferred to an account with an unexpended balance during the last months of a project simply to deplete the balance of funds.

Timeliness of Cost Transfers:
It is important that cost transfers occur as soon as an error is discovered, but not later than 90 days after month end. If the transfer must be made after 90 days, the reason for the delay must be documented. In no instance may costs be transferred after the Grant and Contract Fund Closeout Adjustment Period, without the prior approval of Research Services.