



Payroll Cost Transfer General Information

Each faculty and staff member who participates in sponsored research or other sponsored agreements is responsible for ensuring that any research or other activity undertaken or recommended for approval is clearly consistent with TAMUS Regulation 15.01.01 Administration of Sponsored Agreements-Research and Other (<http://policies.tamus.edu/15-01-01.pdf>). It is the role of each Principal Investigator and staff with delegated authority to review sponsored research accounts on a regular basis (monthly) to ensure that all expenditures charged are **allowable** (the cost is allowed by federal regulations, sponsor terms and conditions, and University policy), **reasonable** (reflects whether or not the individuals concerned acted with due prudence in the circumstances), **allocable** (the cost has a direct benefit to the sponsored project being charged), and **treated consistently** (like costs in similar instances are treated consistently throughout the University).

Cost transfers are sometimes necessary and unavoidable; however, they should not be used as a means of managing awards. Frequent, late, and inadequately explained transfers, especially those involving accounts with cost overruns or unexpended balances, raise serious questions about the propriety of the transfers and call internal fiduciary controls into question. This may result in audit disallowances and monetary paybacks including penalties and fines.

Characteristics of cost transfers that raise red flags:

- Costs transferred long after the original charges were expensed
- Transfers supported by inadequate documentation or justification
- Transfers made at the end of a project that relieve cost overruns or spend out a project
- Cost transfers that require re-certification of effort

Original charges should be directed to the appropriate benefiting sponsored project. If it is necessary to process a cost transfer that involves a sponsored project, a payroll cost transfer should be initiated promptly (*within 90 days*).

Examples of circumstances where payroll cost transfers are typically allowable:

- Correction of a clerical error involving transposed or mis-typed characters. A specific reason must be given; “correction of clerical error” is insufficient.
- Reallocate salary to reflect actual effort. Upon review or certification of monthly payroll reports, it may be that an employee’s EPA was not updated or an individual’s effort was redirected.

Examples of typical circumstances in which payroll cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Transfer of an expense that was previously transferred
- To avoid restrictions imposed by law or by terms of the sponsored agreement
- For reasons of convenience

Under no circumstances may costs that benefit one sponsored project be charged temporarily on another sponsored project. Failure to adhere to this procedure will result in improper financial reporting and inappropriate reimbursement from the sponsor.
