

EXPENSE TRANSFER

Question: What are the rules governing transfer of expenses between sponsored accounts?

Answer: The very best outcome is to charge expenses initially to the correct account. Expense (as distinguished from budget or encumbrance) may be transferred between accounts (as distinguished from object codes within accounts). The result will be an increase in budget balance available in the account from which the expense is moved, and a decrease in budget balance available in the account receiving the transferred expense.

There are three primary restrictions on expense transfers between accounts.

1. The receiving account must have a start date before the date of the expense, and an end date after the date of the expense to be transferred. Account start and end dates are recorded on the FRS screen AP6. The date of an expense is recorded on the 23A screen.
2. The receiving account must have a budget balance available in the object code of the expense to be transferred.
3. The expense must have benefited the account to which it is transferred. For example, a personnel expense must represent effort on the receiving account. An equipment expense must reflect equipment used in the project to which the expense is transferred.

There are several secondary restrictions on expense transfers:

- Equipment expenses should generally not be transferred to an account ending within 90 days of the date of the equipment expense; equipment acquired late in a project is of dubious benefit to the project.
- If the expense has already been billed to the sponsor, then we should not transfer the expense to another account. On accounts for which the sponsor has specified monthly billing, this implies the necessity for monthly decisions by the Responsible Person (i.e., Principal Investigator) about the final accounting for expenses. Most of our accounts are billed quarterly, so generally sponsored expenses should not be transferred later than 90 days after the date of an expense. Coordinate with your grant accountant if you anticipate transferring an expense, so they don't bill the expense you intend to transfer.
- If the expense is for payroll, and if a time and effort certificate has been signed saying that the expense is in a particular account (usually 90 days after each semester), then we should not move the expense to another account.
- Due to the need to close-out each fiscal year, expense transfers from a prior fiscal year are discouraged (even if the prior fiscal year was just a few days ago).
- The expense must be allowable.
- An expense must be necessary to accomplish the grant purpose - at a price a reasonable person would pay.
- The expense must be allocable to the account it is charged to, i.e., there must be a rational basis for distributing this charge among accounts.

Each request for transfer of expense should be forwarded to your grant accountant with a written justification (referring the relevant issues among those listed above), identification of the account(s) to which the expense should be transferred, and a copy of the 23A screen with the expense highlighted.