	<b>POLICY: Cost Reallocations for Research or Sponsored Program Indexes</b> <b>Responsible Office: Office of Research and Sponsored Programs</b>			
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### Policy Statement

The Principal Investigator (PI), the PI's designee, or the Department Administrator are responsible for ensuring that reallocation of costs to or from sponsored projects are made promptly.

Reallocations of costs to any sponsored project are allowable only when there is direct benefit to the project account being charged. Reallocations do not include reclassification of expenses within the same award, nor does it include the initial allocation of inter-departmental charges to allocate an expense.

Any reallocation of an existing cost from a non-sponsored project index to a sponsored project index, or between two or more sponsored project indexes, requires the review and approval of the Office of Research and Sponsored Programs (ORSP). ORSP review and approval is required regardless of the dollar value of the expense being reallocated. ORSP approval is not required to move an expense from a sponsored project index to a non-sponsored project index. Reallocations to correct an error must be completed regardless of timeframe if the correction benefits the sponsored award.

### Reason for Policy and Underlying Principles

Lehigh University complies with the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) for all federally sponsored programs. The University extends these requirements to all research and sponsored project grants, contracts, and other agreements, regardless of source.


### Original Charges to a Research or Sponsored Project Index

The first step in charging costs to a research or sponsored project index is to be certain that the initial charge is allowable and allocable to the project. Initial payroll assignments and other charges should be reviewed and authorized by someone who has knowledge of the appropriate index to which the charge should be made. Timely communication between Principal Investigators and department administrators should prevent the necessity for reallocations. It is less burdensome and questionable to charge costs to the correct index at the time they are incurred. However, under certain circumstances, reallocations may be appropriate. Regular and diligent review of financial records by the PI and their department administrator will provide opportunity to correct any error as soon as possible.

### Cost Reallocation Considerations


The administration of cost reallocations is extremely important and sensitive, particularly when federal funding is involved. Federal agencies are especially concerned that costs can be specifically identified with the funded activity they benefit. When research and sponsored program records are reviewed, numerous or poorly documented cost reallocations can result in federal regulators denying reimbursement of questionable charges or suspending Lehigh's participation in federal programs. Therefore, it is essential to provide detailed written explanations justifying all reallocations.

In general, cost reallocations will result from one of the following situations detailed below. Note that in all cases, it is critical that the specific situation necessitating the correction be fully documented and supported by all relevant

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backup material, including a copy of the original Banner transaction detail report or payroll report. When in doubt, ORSP should be consulted as to the acceptability of a proposed cost reallocation.

- o Error Correction  
 Errors may include clerical errors (such as typographical errors, transposition of digits, or incorrect Banner account codes) or errors detected upon review of monthly expenditure/payroll reports (such as redirection of an individual's effort or a purchase charged to a project other than the one that ultimately benefited from the item purchased). All errors should be corrected as soon as they are detected.
  
- o Costs Benefiting More Than One Project  
 When a particular charge to a sponsored project benefits another project, that charge, or a portion of the charge, if not correctly allocated initially, may be reallocated to the other project provided that all of the four following conditions are met:
  - (1) the initial charge could have been made to the other project;
  - (2) the charge is represented in the approved budget of both projects;
  - (3) the reallocation explanation is clear as to why the particular charge is appropriate to either project (include description of both projects), and;
  - (4) the transfer is processed within 90 days after the end of the month of the original transaction.
  
- o Late issuance of a notice of award, or full execution of a subaward subsequent to the start of the period of performance  
 It is feasible that an award notice is received from a sponsor, or full execution of a subaward occurs, after the start date of a research or sponsored project. The project terms may result in allowable expenses being incurred prior to Lehigh receiving the award notice or fully executed subaward documents. In most cases, an Advance Account can be established to charge expenses in advance of receipt of the award or fully executed subaward. However, when circumstances do not allow for the use of an advance account, these expenses must be charged to a discretionary index until the award/subaward documents are received, and must be moved within 90 days of establishment of the project index. It is prohibited to use **an existing research or sponsored project index as a "temporary holding index" for expenses which will subsequently be moved to another index.**
  
- o Standard Departmental Redistributions  
 Reallocations of expenses from departmental or University funds to sponsored projects for phone, copy, mailroom, purchasing card, dosimetry badge, equipment/lab use charges, etc. are not required to provide justification for the reallocation and do not require the signature of the Principal Investigator or approval of ORSP. These types of reallocations should be done on either a monthly basis, or no more than 90 days after the end of the month of the original charge. It is the department's responsibility to keep complete documentation for these types of reallocation.


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## Definitions

Term	Definition
<b>Allocable cost</b>	A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.
<b>Allowable cost</b>	<p>Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:</p> <p>(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.</p> <p>(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.</p> <p>(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.</p> <p>(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.</p> <p>(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.</p> <p>(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).</p> <p>(g) Be adequately documented.</p>
<b>Cost Reallocation</b>	Any after-the-fact adjustment or transfer of an expenditure to, from or between sponsored project indexes. Also called “cost transfer.”
<b>Reasonable cost</b>	A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

## Who Should Read This Policy

- All faculty engaged in research and/or sponsored project activities
- Department/College Business Managers
- Department Coordinators

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- Contract and Grant Specialist, ORSP
- Payroll Office
- Research Accounting

### Related Resources

<b>University Policies, SOPs, and Guidance</b>
SOP: Cost Reallocations for Research and Sponsored Program Indexes [link pending publication]
ORSP Reallocation Explanation Guidance <a href="https://research.cc.lehigh.edu/sites/research.cc.lehigh.edu/files/documents/ORSP/ReallocationExplGuide.pdf">https://research.cc.lehigh.edu/sites/research.cc.lehigh.edu/files/documents/ORSP/ReallocationExplGuide.pdf</a>
Lehigh University Payroll Office, "How to Prepare a Payroll Reallocation Request" <a href="https://financeadmin.lehigh.edu/sites/financeadmin.lehigh.edu/files/offices/controller/images/11.%20Reallocation%20Request.pdf">https://financeadmin.lehigh.edu/sites/financeadmin.lehigh.edu/files/offices/controller/images/11.%20Reallocation%20Request.pdf</a>
<b>External Documentation</b>
Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) <a href="https://www.ecfr.gov/cgi-bin/ECFR?page=browse">https://www.ecfr.gov/cgi-bin/ECFR?page=browse</a>
<b>University Forms and Systems</b>
<a href="#">ORSP/RA Research/Sponsored Project Cost Reallocation Form</a>
ORSP Reallocation Justification Form <a href="https://research.cc.lehigh.edu/policies">https://research.cc.lehigh.edu/policies</a>
Lehigh University Payroll Assignment Confirmation/Change Form (PAC) – Departments obtain this form from Dean's Office or Payroll Office.

### For questions about this policy:

Office of Research and Sponsored Program

610-758-3021

[inors@lehigh.edu](mailto:inors@lehigh.edu)

<https://research.cc.lehigh.edu/contact-us-orsp>

### Revision History

Date	Summary
15-Sep-2020	This revision establishes clear guidance for the Lehigh University research community on when cost reallocations are allowable on sponsored projects and the process for review and approval of these reallocations.