Lehigh University Office of Research and Sponsored Programs

Cost Reallocation Policy for Research and Sponsored Program Funds

PURPOSE: To set forth policy for transferring incurred costs on research and sponsored projects.

APPLICABILITY: This policy applies to all research and sponsored programs (federal, state, industry, and private) and all cost categories, including payroll.

BACKGROUND:

Definition
A cost reallocation (cost transfer) is any after-the-fact adjustment or transfer of an expenditure to or from an externally funded grant or contract. The University separates reallocations into two categories, payroll and non-payroll.

Regulations
Office of Management and Budget 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:

Section 200.405(c) – 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...

Section 200.451 – Any excess of costs over income under any other award or contract of any nature is unallowable...Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable.

Section 200.343(b) – Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.
POLICY:

Original Charges to a Sponsored Program Fund
The first step in charging costs to a sponsored fund is to be certain that the initial charge is appropriate. Initial payroll assignments and other charges should be reviewed and authorized by someone who has knowledge of the appropriate fund to which the charge should be made. Diligent review of financial records and timely communication between Principal Investigators and departmental administrators should prevent the necessity for reallocations. It is less burdensome and questionable to charge costs to the correct fund at the time they are incurred. However, under certain circumstances, reallocations may be appropriate.

Cost Reallocations
The administration of cost transfers 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 transfers 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.

Cost Reallocation Considerations
In general, cost reallocations will result from one of the following situations. In all cases, it is critical that the specific situation necessitating the transfer be fully documented and supported by all relevant backup material, including a copy of the original Banner transaction detail report or payroll report. The Office of Research and Sponsored Programs should be consulted when in doubt as to the acceptability of a proposed cost reallocation.

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.
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, may be transferred to the other project provided that: (1) the initial charge could have been made to the other project, AND (2) the charge is represented in the approved budget of both projects, AND (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.

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 the Office of Research and Sponsored Programs. This type of reallocation should be done on a monthly basis or at least within 90 days after the end of the month of the original charge. It is the department’s responsibility to keep complete documentation for this type of reallocation.

Cost Reallocation Requirements
The Office of Research and Sponsored Programs is responsible for reviewing and approving all cost reallocations, payroll and non-payroll, before they can be processed into accounting records. To be considered allowable, cost transfers must be timely, documented and explained in detail, adhere to the sponsor’s standards, and have all appropriate authorizing signatures. Cost reallocations should be prepared and submitted as soon as the need for the transfer is identified, but under most circumstances, within 90 days following the end of the month in which the original transaction occurred.

Non-Payroll Cost Reallocations within 90 days - Cost reallocations involving sponsored projects that are processed within 90 days of the end of the month of the original transaction require approval signatures from the Principal Investigator/authorized signer and the assigned Contract and Grant Specialist in the Office of Research and Sponsored Programs.
Non-Payroll Cost Reallocations over 90 days – Approval of cost reallocations submitted more than 90 days after the end of the month in which the original transaction occurred will only be granted in extenuating circumstances; examples are given below. Absence of the PI or responsible administrator, or lack of staffing are NOT acceptable explanations. The reasons for a reallocation over 90 days must be documented in detail and will require the approval of the Principal Investigator, Department Chair, College Dean, assigned ORSP Contract and Grant Specialist, and the Assistant Vice President, Office of Research and Sponsored Programs. Requestors are advised to review explanations for > 90 day reallocation requests with ORSP BEFORE completing the forms and compiling the backup documentation.

Examples of Acceptable Extenuating Circumstances for Cost Reallocations > 90 days:

- Late issuance of a notice of grant award or full execution of a subaward subsequent to the start of the period of performance; supporting documents required. Charges must be moved within 90 days of receipt of the notice of grant award or fully executed subaward. At no time should federally funded accounts be used as holding accounts for expenses which will subsequently be moved elsewhere.

- Failure of another department to take action, e.g. on a properly submitted expense reallocation request.

Payroll Reallocations – Effort certifications are processed for three time periods each year: January – May; June – August; September – December. Reallocation of payroll is permitted at any time within a single time period to coincide with actual effort. When effort reports are being reviewed for certification, any corrections to the effort report must be accompanied by a corresponding payroll reallocation form. Payroll modifications affecting time periods for which effort has previously been certified are not permitted, except in the case of late notice of award.
Closeout of Sponsored Program Funds

Principal Investigators and departmental administrators overseeing sponsored project funds should be particularly careful to manage and monitor expenses to avoid incurring costs that are not reimbursable. If unallowable costs have been incurred, they must be removed from the sponsored project fund and charged to an appropriate University account. Generally, costs incurred beyond the project end date are not allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of the sponsored project.

Costs Transferred in Anticipation of an Overdraft (prior to end date of project) - Principal Investigators and departmental administrators should carefully manage sponsored project funds during the project period. During review it may be determined that an overdraft might occur. If an overdraft is anticipated, the following actions may be taken: (1) the cost may be legitimately transferred to another sponsored project that also benefited from the cost (documentation of the benefit must be explicit); or (2) the cost must be transferred to an appropriate university account and treated as cost sharing.

Cost Overruns after the End Date of a Project – Cost overruns that exist after the end date of a sponsored project may not be transferred to another sponsored project fund.

Unspent Balances – Unspent balances at the close of a project must, in most cases, be returned to the sponsor. Exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. Contact the Office of Research and Sponsored Programs for clarification of the terms of a specific sponsored project.

PROCEDURE:

All cost reallocation requests involving sponsored projects, both payroll and non-payroll, are submitted using both the Budget/Expense Reallocation Form and the Research Fund Reallocation Justification Form. The forms can be found at the Office of Research and Sponsored Programs website, [http://www.lehigh.edu/~inors/inors.html](http://www.lehigh.edu/~inors/inors.html).
Notes on completing the forms:

Signatures – The signature of the Principal Investigator/authorized signer for the fund to be charged is required on all forms. A signature for the fund being credited is not required; however, the department initiating the transfer should make sure all individuals responsible for affected funds are informed.

Research Fund Reallocation Justification Form – When completing the Justification Form, transfer explanations must be specific and detailed. Examples:

- **Unacceptable** - This cost transfer is necessary due to a clerical error.
- **Acceptable** - This cost transfer is necessary to correct a typographical error: Fund number 123456 should have been 223456.”

- **Unacceptable** - Reallocate charges made to incorrect account.
- **Acceptable** - 540XXX was charged $25 for January telephone tolls because the new fund number established for Project XYZ was not communicated to the LTS billing department. 540ABC is the new fund number established for this project beginning January 1, 2005.

- **Unacceptable** - Charges being moved to remove deficit and close account.
- **Acceptable** - More electron microscope use charges were needed for the project than originally budgeted. The excess charges are being moved to the PI’s Incentive Fund account, which was established to support the research efforts of the PI.