



Approving University Official(s): Vice President and Chief Financial Officer
Responsible Office: Office of Financial Operations - Research Financial Operations - Accounting Services for Research and Sponsored Programs (ASRSP)
Effective date: July 18, 2025
Next review date: March 1, 2028

COST TRANSFERS TO SPONSORED PROGRAMS

Policy Statement

Northwestern University requires costs to be charged to the appropriate sponsored program when first incurred. There are circumstances in which it may be necessary to initiate a cost transfer to reallocate or redistribute expenditures to a sponsored program after the initial recording of the charge. Sponsored program cost transfers should be initiated promptly and supported by documentation to justify the transfer.

Principal Investigators (PIs) and administrators are responsible for managing sponsored programs to minimize the necessity for cost transfers. If charging errors or reallocation needs are detected, the PI and administrator should prepare cost transfers immediately to ensure expenses borne by sponsored programs are allowable, allocable, reasonable, and consistently applied.

All cost transfers must comply with federal regulations, university policies, and external sponsor terms and conditions.

Purpose

To comply with cost allowability requirements of [2 CFR Part 200, Subpart E](#), it is necessary to explain and justify transfers of charges onto federal awards from other federal accounts, non-federal accounts, or university accounts. Timeliness and completeness of cost transfer explanations are important factors to determine if the transaction is compliant. Non-compliant cost transfers will result in expenditures being disallowed and may also cause the sponsor to impose additional restrictions or reduce subsequent funding.

Federal agencies and other sponsors consider the following practices evidence of inadequate controls and monitoring:

- Frequent cost transfers
- Late cost transfers
- Insufficiently documented or explained transfers, especially those which involve sponsored programs with overruns or unexpended balances

Audience

Deans, Directors, Department Heads, Faculty, and Administrators

Definitions

90-day rule: All expenditures and other costs should be posted within 90 days of their occurrence; in addition, all cost transfers, including salary, should be completed within 90 days of their original transaction date.

Corrective action plan: A corrective action plan documents steps to resolve current, and prevent future, errors. A corrective action plan needs to include a clear statement of the problem, specific procedures to ensure compliance, date(s) for completion, and roles responsible for implementation.

Cost transfer: A cost transfer is the reassignment of an expense or expenditure (charge) that was initially recorded on another chart string.

Date incurred: The date in which a good or service is acquired or ordered.

Salary cost transfer: The reassignment of a payroll expense from one chart string to another.

Transaction date: The date at which a transaction (for example, a sale or purchase of merchandise or services) is recorded.

Policy Implementation

Proper oversight of sponsored programs is critical for maintaining the university's fiduciary responsibility to manage funds consistent with regulations stated in the terms and conditions of the award. It is imperative that budget statements are reconciled on a regular basis to ensure that expenditures are charged correctly and within appropriate guidelines for all sponsored programs.

To maintain consistency in the treatment of cost transfers, this policy applies to federal and non-federal sponsored programs. Cost transfers must be submitted within 90 calendar days of the original transaction date posted in NUFinancials to be considered a current cost transfer. When transfers are not adequately justified, or are made for inappropriate reasons, departments are responsible for transferring expenses to a non-sponsored chart string. If an identified unallowable cost is not removed by a department administrator within a reasonable amount of time, ASRSP staff may transfer the cost to a departmental chart string.

Transfer requests that are 90 calendar days or more from the original transaction date require an [Over 90 Day Cost Transfer Justification Memo](#). Page two of the memo provides complete instructions and defines measurement dates. Requests for over 90-day transfers should be infrequent and due to extenuating circumstances. Cost transfers over one-year old are generally not allowed.

Cost Transfers Principles and Expectations

Criteria for proper cost transfers:

- Allowable on the project as defined by federal regulations if applicable, university and sponsor policy, and terms and conditions of the award
- Allocable as a direct charge to the project
- Incurred during the period of performance
- Treated consistently across like circumstances
- Completed as soon as the need is detected

Examples of cost transfers that may be allowable:

- Pre-award costs from non-sponsored chart strings if pre-award costs are allowed by the sponsor and a pre-spend account was not established in anticipation of the sponsored program
- Costs that were temporarily charged to non-sponsored chart strings prior to a new or renewal sponsored program being fully executed
- Clerical or data processing errors
- Costs to distribute or redistribute effort to reflect actual effort expended
- Costs for shared goods and services (e.g., laboratory supplies, printing/photocopying, etc.) that are allocable to more than one sponsored program

Cost transfers are not allowed if intended to do the following:

- Move costs that do not directly benefit the project
- Intentionally charge incorrect chart strings (park charges or use as a holding account)
- Move costs that are incurred outside of the period of performance (unless specifically allowed by the sponsor)
- Transfer expenses from any source, solely to spend unused sponsored program balances
- Transfer costs to another sponsored program for one or more of the following:
 - Eliminate an overdraft caused by overruns or other financial considerations, such as budget constraints, project completion date, or early termination
 - Avoid restrictions imposed by law or by the terms of the sponsored agreement
 - Resolve an issue for other reasons of convenience

Cost transfer justification and approval:

A detailed justification is required for all cost transfer requests. Submission of additional supporting documentation may be required by approvers for both non-salary and salary cost transfers.

It is expected that the Principal Investigator (PI) or their delegate will review the fiscal status of their sponsored program accounts regularly (monthly review is recommended) and promptly correct expense transactions that are incorrectly recorded. Departmental personnel are responsible for preparing and submitting the cost transfer request with the knowledge and approval of the PI.

Additional information for cost transfer requests can be found [here](#).

Record Retention

Northwestern University and various federal and state laws require that different types of records be retained for specific periods of time. The university has designated official repositories and a retention schedule for maintenance of these records. These records should be managed according to [Uniform Guidance 2 CFR 200.334](#).

Consequences of Violating this Policy

Violation of this policy may compromise compliance with federal regulations and agency guidelines, resulting in audit findings, potential loss of funding, or payment of fines and penalties.

In rare cases, there may be compelling circumstances where exceptions to this policy may be warranted. It is recommended that exception requests be discussed with the appropriate official and Accounting Services for Research and Sponsored Programs (ASRSP) prior to preparing the justification and corrective action plan (CAP). Cost transfer exception requests will be reviewed on a case-by-case basis

and must include a detailed justification and additional pertinent information to assist the reviewer in evaluating the circumstance. Requests for an exception to this policy must be in writing, signed by the Financial Dean or equivalent position, accompanied by a CAP, and submitted to ASRSP.

Related Information

Uniform Guidance 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

NU Record Retention Policy:

https://policies.northwestern.edu/docs/Retention_of_University_Records_030410.pdf

Accounting Services for Research and Sponsored Programs (ASRSP):

<https://www.northwestern.edu/asrsp/>

Over 90 Day Cost Transfer Justification Memo Form and Instructions:

https://www.northwestern.edu/financial-operations/policies-procedures/forms/90-Day_Memo_Form_and_Instructions.pdf

Journal Processing Guidance:

<https://www.northwestern.edu/financial-operations/policies-procedures/finance/financejournalprocessing.html>

Contacts

The following office can address questions regarding this Policy:

Accounting Services for Research and Sponsored Programs

<https://www.northwestern.edu/asrsp/>
asrspweb@northwestern.edu

History

Policy Origination Date: March 05, 2007

Amendment Date (s): August 30, 2018

Policy URL

<https://www.northwestern.edu/asrsp/resources/policies/cost-transfers-sponsored-programs.pdf>