DIVISION OF FINANCE AND FACILITIES
GRANTS FISCAL ADMINISTRATION

Unallowable Costs (including Cost Transfers and Contingency Fund Policy)

The Grants and Contracts Administrator reviews, in advance, expenditures to ensure compliance with both the award, university, and federal directives as appropriate (i.e. OMB Circulars, FAR Clauses, specific agency requirements, etc.) before the expenditure is submitted to Accounting for payment. Accounting does on occasion, receive invoices or purchase requests for an award that have not been approved by a Grants and Contracts Administrator. In these cases, Accounting obtains the approval of the Grants and Contracts Administrator before paying an invoice, processing a purchase request, or making any charges to an award.

The Project Director is instructed to become familiar with the university’s “Direct Charging Policy” (located at http://www.niu.edu/grantsfiscal/docs/DirectChargingPolicy.pdf) and a list of “Items Generally Disallowed as a Direct Charge on a Sponsored Project” (located at http://www.niu.edu/grantsfiscal/policies/unallowable.shtml). These documents are available to assist Project Directors and appropriate departmental staff in making decisions regarding charges to an award. These documents reference OMB Circular A-21 which defines cost principles for educational institutions, including appropriate charges to Federal awards.

A Contingency Fund Form is required for every award. No charges will be processed without this form being completed and returned to Grants Fiscal Administration. The Contingency Fund Policy and Form can be found at http://www.niu.edu/grantsfiscal/docs/Policy%20Stmt_Contin_Funds_.doc.

There are times when cost transfers are required in order to transfer a charge to an award. These types of cost transfers are allowable if the expense meets all of the following conditions:

- allowable in accordance with the terms and conditions of the award document
- supported by documentation justifying the transfer
- certified as to the correctness of the charge

There are also times when an unallowable cost temporarily gets charged to an award. When the unallowable charge is identified, the Grants and Contracts Administrator will do a Journal Voucher to remove the unallowable cost from the grant and transfer it to the identified Contingency Fund or appropriate cost center and account.

It is important to note that federal cost principles do not permit the transfer of charges to another sponsored agreement if the justification for the transfer is for one or more of the following:

- to meet deficiencies caused by overruns or other financial considerations
- to avoid restrictions imposed by law or by the terms of the sponsored agreement or for other reasons of convenience

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The minimum requirements to ensure approval of a cost transfer include the following for a Journal Voucher (JV) transfer of non-salary items:

- explanation of transaction and benefits to project
- date when service was provided or cost incurred
- date and document number of original transaction
- preparer’s name and telephone number

The minimum requirements to ensure approval of a cost transfer include the following for a Journal Voucher (JV) transfer of Labor Redistributions:

- human resources (HR) form – Position Request Form (PRF)
- explanation of transaction and benefit to project
- date when service was provided or incurred
- preparer’s name and telephone number

Transfers, with appropriate documentation, should be initiated during the month the charges are originally recorded in PeopleSoft or within the next two months. Transfers initiated after this cut off date are considered non-current and require additional justification explaining why the transfers were not made in a timely manner.

Journal vouchers and supporting documentation will be kept in the award file. The supporting documentation may include Human Resource paperwork (PAF, PAF, payroll queries, etc.), Expenditure paperwork (invoices, receipts, travel vouchers, etc.), any other supporting documentation and e-mail correspondence regarding the charge/transfer.