

# Guidance on Cost Transfers



OFFICE OF SPONSORED PROGRAMS  
COLORADO STATE UNIVERSITY

A cost transfer is an after-the-fact reallocation of expenses to or from a sponsored project. It reassigns an expense from one account to another after the expense was initially recorded in the financial accounting system.

Cost transfers are sometimes necessary, but they are high-risk transactions by nature and must be managed carefully. Excessive or late cost transfers, or transfers that lack appropriate documentation and justification, can result in audit findings, disallowed costs, loss of funding, and increased oversight. These can raise serious compliance concerns.

Cost transfers should only be used to fix legitimate issues, such as:

- Correcting errors (typographical errors, incorrect charges, etc.)
- Moving a cost to the project that benefited from it
- Adjusting salary allocations to reflect actual effort performed
- Allocating shared costs between projects
- Moving allowable pre-award costs onto the appropriate project account
- Removing unallowable charges

Cost transfers are allowed only if all the following criteria are met:

- The cost is allowable under sponsor, federal, and university rules
- The cost is allocable (i.e. it benefits the project being charged)
- The cost is reasonable and consistently treated
- The transfer is completed in a timely manner within 90 days of the original transaction unless there are extenuating circumstances as outlined below.

Cost transfers should not be used as a cost management strategy or for convenience. The following situations pose significant audit risks:

- Moving costs to spend down remaining funds on a project account
- Moving costs to correct a deficit on another project
- Transferring expenses over 90 days old without appropriate justification per CSU policy
- Transfers between sponsored projects without appropriate justification
- Late salary changes that contradict certified effort
- Missing or inaccurate documentation.

All cost transfers require justification to explain why the transfer is necessary.

- What was charged originally?
- When did it happen?
- How does the expense directly benefit the project account to which it is moving?

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If the expense is split between multiple accounts, an explanation must be provided for the allocation method used to determine how much of the cost belongs to each account. If the expense was incurred more than 90 days ago, additional justification is necessary to explain the extenuating circumstances that prevented correction during the appropriate time frame. And if the transfer involves effort that has already been certified in ECRT, additional justification is required to explain how and why the effort was certified prior to correction.

There are two types of cost transfers at CSU. For transfers involving effort (salaries and wages), a Payroll Adjustment Action (PAA) is completed in Workday. For other expenses, a General Ledger Transfer (GLT) is used in KFS. Both these transactions include question fields for the required justification elements and space to upload supporting documentation.

Cost transfers can often be avoided by following best practices in the management of sponsored accounts, including:

- Monthly account reconciliation and review
- Regular communication with faculty
- Correction of errors as soon as they are discovered
- Strong documentation and clear, detailed justifications for expenses

For more information, please see the official policy on Cost Transfers on Sponsored Projects at [Policy Library - Office of Policy & Compliance - Colorado State University](#). For questions, please contact the OSP Post-Award manager, Brigitte Pfister, at [Brigitte.Pfister@colostate.edu](mailto:Brigitte.Pfister@colostate.edu).