Cost Transfers on Externally Sponsored Programs Policy- Plymouth State University

1. Introduction. Acceptance of federal awards requires compliance with allowability and allocability standards as established in the federal cost principles. Federal cost principles require consistency in costs applied to federal and nonfederal awards; therefore, this policy applies to all sponsored programs, federal as well as nonfederal.

Plymouth State University (PSU) policy requires charging costs to the appropriate sponsored program when first incurred. There are, however, circumstances in which it is appropriate to transfer costs to or from a sponsored program after the costs are initially recorded. Additionally, appropriate routine cost redistributions occur during the normal monthly business cycle.

2. Definition.

Cost Transfer

A cost transfer is a journal entry that transfers an expense onto a funded sponsored award that was previously recorded elsewhere on the University’s General Ledger (GL) and requires institutional approval (as defined below) before it can be posted to the GL.

Late Cost Transfer

A cost transfer that is requested more than 90 days after the monthly accounting period of the original transaction posting date is considered late. For example, if an original cost posted on 6/15/XX, then the 90 days would begin on 7/1/XX and end on 9/28/XX. Therefore, any cost transfer made on or after 9/29/XX would be considered late.

3. Policy. In accordance with the Office of Management and Budget, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“Uniform Guidance”), it is necessary to explain and justify transfers of charges onto federally funded sponsored awards, when the original charge was previously recorded elsewhere on the University’s GL. Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal requirements.

Note: Agencies that fall under the Department of Health and Human Services [i.e., Agency for Healthcare Research and Quality (AHRQ), Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), Health Resources and Services Administration (HRSA), Substance Abuse and Mental Health Services Administration (SAMHSA), Administration on Aging (AoA) as well as other HHS agencies (excluding the National Institutes of Health)] have the following condition in the HHS Grants Policy Statement, “Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO.” Cost transfers requiring sponsor prior approval must be routed to The Office of Research Administration for institutional approval and submission to the sponsor.
4. Cost Transfer Requirements. All cost transfers to sponsored projects meeting the definition above, with the exception of transfers that meet criteria of A-F below, require approval by the Office of Research Administration and the Principal Investigator (PI) before entering the cost transfer into the USNH financial accounting system.

The following are not considered cost transfers:

A. Transfers of true overdrafts (off sponsored awards to unrestricted accounts). These transfers may be made in lump sum entries rather than identifying individual transactions.

B. Transfers of expenditures between funds or GL accounts under the same award, in cases where there are no sponsor restrictions on the funds set aside in a particular fund.

C. Transfer of an incorrect charge from a sponsored account to a non-federal account.

D. Reallocation of salaries and fringe to reflect actual effort when the following apply:
   i. When processed within 90 days of the month the charge originally posted; and
   ii. Before the annual effort has been certified in the effort reporting system; and
   iii. The effort certification due date has not passed.

E. Reallocation of Procurement Card (PCard) expense from a default account when processed within 90 days of the month the charge originally posted.

F. Transfers of allowable and allocable expenditures incurred within the period of performance of an award but charged to a departmental, unrestricted, or other non-sponsored account while awaiting the fully executed sponsored agreement (transferred within 90 days of the end of the monthly accounting period of the original transaction posting date)*.

*To avoid unnecessary cost transfers, an Early Account Approval (EAA) account/account status should be requested from the Office of Research Administration.

Caution: An account for an existing sponsored agreement must never be used as a holding account for another award’s pre-award expenses, including labor.

5. Unallowable Cost Transfers.

- The following are unallowable cost transfers:
- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers used as a cost management strategy
- Cost transfers between unrelated sponsored projects to avoid or eliminate cost overruns
- Cost transfers that circumvent pre- and/or post-award restrictions
- Cost transfers for any other reasons of convenience
6. Documentation and Explanation

All cost transfer requests must be made using the online Cost Transfer Request Form found on the Office of Research Administration website. If a transfer is made within 90 calendar days of the close of the accounting period from when the original transaction was posted in the University’s general ledger, answers to questions 1 and 2 are required to be answered; if over 90 days, answers must be provided for all 4 questions. In all cases supporting documentation must be provided along with the journal entry. The Cost Transfer Request Form includes a field to upload supporting documentation.

1. Why was this expense originally charged to the current funding source from which it is now being transferred?

2. Why should this charge be transferred to the proposed receiving sponsored fund?

3. Why is the cost transfer being requested more than 90 calendar days after the close of the accounting period when the original transaction was posted in the University’s general ledger?

4. What action will be taken to eliminate the future need for cost transfers of this type, including date of implementation?