

**Lifespan Office of Research
Administration**

**Subject:
Cost Transfer Policy**

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Administration**


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Approved By:


Peggy McGill, MA, CRA
Administrative Director


Peter J. Snyder, Ph.D.
Vice President for Research


Paul Pierannunzi, CPA
Vice President, Finance –
Corporate Services

Purpose:

To document the Lifespan policy and process for initiating, documenting and approving cost transfers involving all sponsored research projects (excluding non-federal clinical trials, restricted accounts, and internally funded accounts).

Summary:

All costs charged to research projects must be allowable, allocable, reasonable and timely. All cost transfers must also meet these standards and must be based on programmatic need and not on funding considerations. Cost transfers must be initiated as soon as the error is made or when the pertinent information for the cost transfer is available.

Occasionally, it is necessary to make correcting journal entries (cost transfers) to ensure that original charges are recorded in the proper research project responsibility center. All cost transfers involving sponsored research projects (excluding non-federal clinical trials, restricted accounts, and internally funded accounts) must be processed using the Lifespan Office of Research Administration (ORA) Cost Transfer Form (or similar e-mail) and must adhere to the required timing of such transfers as set forth in this policy.

Definition:

A cost transfer is an after-the-fact transfer of recorded cost from one research project responsibility center to another. Sometimes cost transfers may be made between a sponsored project responsibility center and a hospital operating responsibility center. Cost transfers to hospital operating centers cannot be made after the fiscal year close, except under extenuating circumstances. Cost transfers may involve salary costs and related fringe benefits, or non-salary costs such as supplies, equipment, or travel.

Regulations:

Federal guidance (NIH Grants Policy Statement 12/1/03, pages 83 and 84) states that cost transfers must be accomplished within 90 days. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee. An explanation merely stating that the transfer was made “to correct an error” or “to transfer to correct project” is not sufficient. Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42, and must make it available for audit or other review. Frequent errors in recording costs may indicate the need for accounting system improvements and/or enhanced internal controls.

The Department of Health and Human Services (HHS) Grants Policy Statement 10/1/06, pages II-44 and II-45, states that cost transfers must 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 Grants Management Officer.¹

Reasons for Cost Transfers:

Cost transfers may be necessary for the following reasons:

- To correct charging errors.
- To transfer pre-award costs to the correct research project responsibility center.
- To allocate expenses incurred on restricted research cost centers that are easily and specifically identified with sponsored project activities through maintenance of logs or other departmental records (e.g., telephone toll calls, express mailings, and photocopying).
- To transfer allowable costs between project years of the same sponsored agreement.
- To allocate expenses incurred for common laboratory costs approved on two or more closely related projects of the principal investigator (PI).

¹ The HHS Grants Policy Statement applies to the following federal agencies: Administration of Children and Families; Administration on Aging; Agency for Healthcare Research and Quality; Office of the Assistant Secretary for Planning and Evaluation; Centers for Disease Control and Prevention; Centers for Medicare and Medicaid Services; Food and Drug Administration; Health Resources and Services Administration; Indian Health Service; Office of Public Health and Science; and Substance Abuse and Mental Health Services Administration.

- To make adjustments associated with deficits, unallowable costs and project close-outs.

Cost transfers may not be made to shift costs from one sponsored research project to another simply to cover cost overruns or for budgetary reasons such as using up unexpended funds.

Timing of Cost Transfers:

Cost transfers involving a sponsored research project must be made within 90 days from the end of the calendar month in which the transaction first appeared. For example, if an error appeared on the Datawatch financial report month ended 1/31/2010, then the cost transfer must be processed within 90 days, before 4/30/2010.

Acceptable Criteria for a Cost Transfer:

A cost transfer is justified in the following circumstances, which must be described when completing the ORA Cost Transfer Form:

- i) Clerical and data entry errors. Any request to correct a clerical error must be accompanied by a description of the error. An explanation of how the error occurred must be given by the PI or designee, including a statement certifying that the adjusted charge/credit is correct and appropriate, along with the specific reason for the correction. Any explanation that merely states that the transfer is needed "to correct an error" or "to transfer the amount to the correct sponsored project" is not sufficient.
- ii) Pre-award costs that are specifically authorized in writing by the sponsor. A PI may, at his/her own risk, incur obligations and expenditures to cover costs prior to the beginning date of an award if the following criteria are met:
 - ♦ Costs incurred are considered necessary for the conduct of the project;
 - ♦ Costs are allowable under the potential award;
 - ♦ Sponsor's written prior approval is obtained when required; and
 - ♦ ORA written approval has been given.

Pre-award costs that have not been approved by the sponsor or by ORA cannot be charged to another sponsored research project.

- iii) An award fails to materialize and charges have been incurred in the research project responsibility center. Occasionally, PIs are notified verbally or by memo that an award is forthcoming, and a research project responsibility center is set up to accept charges. If for any reason the award is not received as anticipated, it may be necessary to transfer any charges made to that responsibility center to the PI's restricted fund or a departmental responsibility center.

Cost Transfer Procedures:

General

An ORA Cost Transfer Form must be completed and sent to ORA to request, document, justify, and certify a correction to the sponsored project accounting records (excluding non-federal clinical trials, restricted accounts, and internally funded accounts). An e-mail sent by the PI or designee is acceptable if it includes ALL information that is requested on the ORA Cost Transfer Form.

Roles and Responsibilities

Principal Investigator:

The PI or designee shall prepare the necessary documentation to support the cost transfer involving sponsored research projects only. This includes preparing the ORA Cost Transfer Form or an e-mail that fully explains the reason and justification for the cost transfer, and printing Datawatch financial reports such as the General Ledger Activity (Detail with Break) that document the charges to be transferred to the appropriate responsibility center. In cases of salary transfers, re-certified Time and Effort Reports are required. The request for cost transfer is sent to the appropriate Grants and Contracts Research Administrator for review and approval. The PI or designee should follow up on their request by reviewing the Datawatch financial reports to ensure that the cost transfer has been completed.

Grants and Contracts Research Administrator:

The Research Administrator reviews the documentation and justification to ensure that sponsor and institutional guidelines for the cost transfer have been met. The Research Administrator shall contact the PI or designee preparing the cost transfer with regard to a denial or to request additional information. The Research Administrator approves, signs, and forwards the request for cost transfer to the appropriate Research Finance Senior Accountant (over 90 days also requires the Research Finance Manager's signature) for posting the transaction to the general ledger.

Research Finance Senior Accountant:

The Research Finance Senior Accountant reviews the cost transfer documentation with regard to accuracy and completeness, signs documenting same, and posts the transaction to the general ledger. The journal entry document, original ORA Cost Transfer Form, and supporting documentation are filed in Research Finance.

Non-salary Cost Transfers

A non-salary cost transfer involving a sponsored research project requested within 90 days from the end of the calendar month in which the transaction first appeared on the Datawatch financial report requires completion of the ORA Cost Transfer Form, which includes an explanation of the reason for the cost transfer and a signature by the PI or designee to certify correctness of the transferred cost.

A non-salary cost transfer requested **greater than 90 days** from the end of the calendar month in which the transaction first appeared on the Datawatch financial report requires an explanation as to why the transfer is late and may require prior approval by the federal agency Grants Management Officer (Also, see Regulations section above). The cost transfer request may be denied by ORA if the final financial report has been submitted to the sponsor or if the reason for the lateness of the transfer is not fully explained and justified.

Salary Cost Transfers

A salary cost transfer is transferring salary for effort that has been certified previously. It is not a cost transfer when an effort report is submitted that changes the salary distribution between or among projects from budgeted to actual effort.

A salary cost transfer requested **less than or equal to 90 days** from the end of the calendar month in which the transaction first appeared on the Datawatch financial report requires completion of the ORA Cost Transfer Form to explain the reason for the cost transfer. If the individual's effort has been certified previously, a Time and Effort Report must be recertified and submitted to ORA. Currently, ORA requires that Time and Effort Certification of all personnel who are directly involved with sponsored activities be done on a monthly basis.

A salary cost transfer requested **greater than 90 days but less than or equal to 180 days** from the end of the calendar month in which the transaction first appeared on the Datawatch financial report requires the same information stated above for salary cost transfers less than or equal to 90 days and must include a justification for the late transfer. The salary cost transfer may be denied by the Research Finance Manager if the justification for the lateness of the transfer is not adequate or if a Final Financial Status Report or invoice has been submitted.

A salary cost transfer requested **greater than 180 days** from the end of the calendar month in which the transaction first appeared on the Datawatch financial report normally will not be approved except in extraordinary and exceptional circumstances.