

Cost Transfer Policy

Table of contents

1.0 Policy Summary Statement	1
2.0 Personnel Who Should be Aware of this Policy	1
3.0 Policy	1
4.0 Reason for Policy	3

1.0 Policy Summary Statement

Portland State University (PSU) is committed to ensuring that all costs charged to sponsored awards are allowable, allocable, and reasonable and that all cost transfers are legitimate and conducted in accordance with sponsor terms and conditions, regulations and Oregon University System (OUS) and PSU policies. Costs should be charged to the appropriate sponsored award when first incurred. Any discrepancies identified through review of expenditures during or after the close of each fiscal period, must be corrected using the appropriate University process, as described in this policy.

A cost transfer is an after-the-fact reallocation of charges, either salary or non-salary costs, to or from a sponsored award. All cost transfers must be accompanied by documentation that fully explains the reason for the transfer as well as describe how the cost benefits the sponsored award to which it is being transferred.

Requests to transfer costs **to a sponsored award** require additional documentation on a Cost Transfer Documentation Form. Cost transfers in excess of 90 days from the end of the month in which the transaction originally posted require additional documentation and approval.

2.0 Personnel Who Should be Aware of this Policy

Any individual involved in overseeing or administering any portion of an externally sponsored project should have knowledge of this policy. This includes but is not limited to Principal Investigators, Departmental/Divisional Grant Administrators, Center Directors, Department Chairs, Division Heads, representatives from central administration, including the Office of Research and Sponsored Projects, Research Accounting, as well as individuals from Business Affairs, Contracting, and Purchasing and Human Resources.

3.0 Policy

Allowable costs should be charged directly to the appropriate sponsored award whenever possible and practical, to avoid unnecessary cost transfers. All sponsored awards should be reviewed on a regular basis to identify charging errors in a timely manner. Any error should be corrected as soon as it is detected.

Cost transfers are a means of correcting errors and should not be used as a method of managing sponsored awards. Transfers of costs from one project to another solely to cover cost overruns or to expend large remaining balances near the award end date are not allowable.

Cost transfers submitted to correct an employee's labor distribution or adjust a non-salary item must be handled in accordance with sponsor terms and conditions, as well as Oregon University Systems (OUS) and PSU policies.

Timeliness and completeness of transfers and the accompanying justification for the transfers are important factors in supporting allowability and allocability. A high volume of cost transfers, especially late cost transfers, may be indicative of problems with system controls and/or appropriate charging of costs to grants.

Cost transfers should be made immediately upon identification of the incorrect charge and not later than 90 days after the end of the accounting month in which the charge posted in the financial information system. The 90 day period, as defined in the *NIH Grants Policy Statement*, has emerged as the industry standard beyond which cost transfers receive additional scrutiny and require a greater level of review and authorization.

Explanation of the 90 Day Period: The 90 day period begins at the end of the accounting month when the original transaction posted in the financial information system. Processing time within the Office of Research Accounting is not included in the determination of whether the transfer meets the 90 day criteria. For example, if an expense is posted in the month of July, the transfer requests must be completed and received in the Office of Research Accounting by the end of October (August, September, and October ~ 90 days). Transfers completed after the month of October would be considered late and require additional justification.

Processing Cost Transfers

All cost transfers are processed via a journal voucher or labor redistribution form. Cost transfers must be accompanied by sufficient documentation to fully explain the reason for the transfer. To be approved, a cost transfer must have appropriate justification, documentation, and approval evidenced by authorizing signatures.

The appropriateness of all cost transfers will be reviewed. Only those transfers determined to be allowable will be approved. Cost transfers deemed to be inappropriate will not be approved, as they could result in disallowed expenses, audit findings, a reduction in funding by the sponsoring agency, and/or monetary paybacks including penalties and fines. Costs determined to be unallowable on a sponsored award will be the responsibility of the host department.

Additional Documentation for Cost Transfers to Sponsored Awards

Less than 90 Days: A Cost Transfer Documentation Form (CTDF) must be completed to document the explanation and justification for all cost transfers to a sponsored project. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. The explanation should describe the nature of the error, how it occurred, and steps that will be taken to prevent similar errors in the future. The documentation should provide certification of the correctness of the new charge by someone with direct knowledge of the sponsored activities, such as the Principal Investigator.

More than 90 Days: If a cost transfer is prepared for charges that are greater than 90 days old, the the Principal Investigator or departmental support personnel must complete the late cost transfer section of the CTDF and obtain approval from the authorized signatories listed on the form. The CTDF must document the reason for the untimely transfer and provide an explanation of how the item of cost being transferred benefits the funding source or activity where it is being transferred.

Responsibilities of the Principal Investigator and Department Personnel

It is the responsibility of the Principal Investigator to request, review, and approve expenditures to sponsored awards in a timely manner. If an item is determined not to be reasonable or allocable to the particular sponsored award, it is the responsibility of the Principal Investigator to request a timely and accurate cost transfer. Department personnel or administrative staff may assist the Principal Investigator with reviewing expenditures and processing cost transfers, however, the overall responsibility rests with the Principal Investigator.

4.0 Reason for Policy

Generally Accepted Accounting Principles (GAAP) and federally established Cost Accounting Standards (CAS) emphasize that costs that do not directly benefit a sponsored award need to be removed on a timely basis in order to ensure effective and compliant accounting practices and fiscal reporting. PSU accepts responsibility for the proper stewardship and management of funds awarded in support of specific programs and projects, regardless of sponsoring agency. The University is committed to ensuring that any costs incurred directly benefit the sponsored awards being charged. Therefore, the Cost Transfer Policy will be consistently applied to all sponsored agreements. Frequent, tardy, or poorly explained transfers raise serious questions about the propriety of the transfers, the monitoring system, and internal financial controls.

Regulations Impacting Cost Transfers

NIH Grants Policy Statement: “Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. 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, consortium participant, or contractor.”

CFR 9904.405: Accounting For Unallowable Costs: “Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified and excluded from any billing, claim, or proposal applicable to a Government contract.”

OMB Circular A-21, C.4.b: “Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.”

Policy Effective Date: *Tentatively scheduled for April 26, 2010*

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