



January 11, 2019

COST TRANSFER POLICY

Applicability

This policy applies *only* to federal grant, subcontract, contract, and cooperative agreement awards.

Transfer of costs *to* federal grant-supported projects or programs, or *from* federal grant-supported programs to *other* grant-supported programs, may sometimes be necessary to correct bookkeeping or clerical errors in original charges or may be appropriate when closely related work is supported by more than one funding source.

Reason for Concern

Transfers that are frequent, tardy or inadequately explained, particularly on projects with overruns or unexpended balances, raise questions about the propriety of the transfers and the reliability of the university's accounting system and departmental internal controls. When errors occur, departments are required to evaluate these areas and make the necessary improvements.

Relationship to Personnel Actions ("PER-3s")

Personnel Actions (specifically PER-3s) must be prepared and submitted any time there is a change in an employee's source of salary. Thus, a cost transfer that is submitted which involves personnel costs should always be accompanied by a PER-3.

An exception to the above is the annual institutional operating budget process which allows for adjustment of salary distribution into the web-based Budget System. During this time, all sources of base salary for faculty and staff that are in the budget system are effective as of July 1 and will be programmatically loaded into PeopleSoft. A PER-3 will not be needed for these changes.

However, changes in source of salary effective after July 1 or those for postdocs, graduate assistants, students, and supplemental pay (regardless of effective date) are not part of the annual budget file update, and must be done using the PER-3 form.

Situations in Which a Cost Transfer is Required

For federal awards (including subawards):

A cost transfer form is required any time a transfer is requested to a federal award or from a federal award to another federal award. Cost transfer forms will **not** be required when costs are transferred from a federal award to another, non-federal funding source.

For other awards except clinical trials, professional services contracts, and GME contracts:

A cost transfer form is required within 90 calendar days of when the error was discovered.

Cost transfer after 90 calendar days:

A detailed explanation for the lateness of the transfer is required. Untimely cost transfers may raise serious questions concerning the propriety of the cost transfer and may be subject to a cost disallowance.

Requirements

- a) The cost is a proper and allowable charge to the grant.
- b) The transfer is supported by documentation containing an explanation and justification of the transfer and a certification by the principal investigator.
- c) Revised time and effort certification form if it relates to labor in previously certified time period(s).
- d) All questions on the cost transfer form must be answered.
- e) The "Explanation of Requested Cost Transfer" section should include a brief summary of the retro/JE.

f) In order to review the cost transfer request, the following items must be attached to the Cost Transfer Form when routing:

- a) Ledger (Nvision Report) highlighting the expenditure(s)**
- b) Attach the PER-3 or a copy of the journal entry if applicable**
- c) A copy of the revised Time and Effort form(s) if applicable**

Unallowable Cost Transfers

Transfer requests submitted to Sponsored Projects within 60 calendar days of an award's end date are not allowed. The cost transfer request has to be in the Sponsored Projects office at least 61 calendar days before the award's end date.

A cost transfer from one sponsored project to another *will not* be processed in the following instances:

- to cover cost overruns with funds in other sponsored projects;
- to avoid restrictions imposed by the Sponsor;

- for other reasons of convenience;
- the justification does not adequately support the transfer being requested;
- to “use up” unspent funds from a federally sponsored grant or contract;
- An explanation which merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. The cost transfer should not be based on the proposal submitted to the agency.

Below are some examples of questionable explanations:

1. Questionable explanation: *Transfer of supplies that were charged to the department in error.*

Issue: This explanation does not adequately explain why the wrong chartstring was charged and why/how the charge is appropriate to the chartstring being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the chartstring being charged is appropriate and how the amount being transferred was determined.

2. Questionable explanation: *Transfer overage to related project.*

Issue: The transfer of overages from one project to another is not permitted. If expenses are being moved between two interrelated projects, the cost transfer description should clearly identify which costs are to be shared, the proportions in which the projects will share the costs, and a clear indication of how the amount to be shared was determined.

3. Questionable explanation: *To correct chartstring incorrectly charged due to clerical error.*

Issue: Insufficient explanation of why and how the clerical error occurred, and why the error was not caught earlier. In general, this explanation is only adequate if a transposition error occurred, and such circumstances should be included in the description.

4. Questionable explanation: *To charge a portion of a lab technician’s salary to the project.*

Issue: The reason for the transfer is missing, and there is no indication of why the PER-3 or timesheet was incorrectly submitted at the time the charge was generated. The phrase “confirmed with the PI” is not sufficient. The description should be expanded to include a description of the individuals’ role on the project, the portion of his/her salary being moved, and how the portion of salary being moved was determined.

Not Considered Cost Transfers

- Allocating charges between cost centers assigned to one federally sponsored project are not cost transfers.
- Allocating charges between account codes within one cost center assigned to a federally sponsored project are not cost transfers.

Cost Transfer Records Retention

Documentation of cost transfers by LSU Health Sciences Center must be maintained by the department and Sponsored Projects Office and be made available for audit review. Sufficient information must be provided to allow for a clear audit trail back to the initially recorded expense.

Useful links

Cost Transfer Authorization Form is available online:

<https://www.lsuhs.edu/administration/accounting/docs/Cost%20Transfer%20form%20011119.pdf>

Department of Health and Human Services Grants Policy Statement relating to Cost Transfers on page II-43: <https://www.hhs.gov/sites/default/files/grants/grants/policies-regulations/hhsgps107.pdf>

National Institutes of Health Grants Policy Statement relating to Cost Transfers on page IIA-63: <https://grants.nih.gov/grants/policy/nihgps/nihgps.pdf>