Cost Transfer Policy

Policy Statement
Harvard University has established the following policy and procedures for the processing of cost transfers to comply with the requirements of Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), and federal agency policies and procedures.

A cost transfer (CT) is a journal entry that transfers an expense onto a federally-funded sponsored award that was previously recorded elsewhere on Harvard's General Ledger (GL) and requires institutional approval before it can be posted to the GL.

Reason for Policy
In accordance with OMB, it is necessary to explain and justify transfers of charges onto federally-funded sponsored awards, where the original charge was previously recorded elsewhere on Harvard's GL. Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal requirements.

Who Must Comply
All individuals involved with the administration and conduct of federally-funded sponsored award activities, including central and departmental sponsored project administrators, principal investigators, and other research personnel.

Roles and Responsibilities
Principal Investigators (PIs) have the primary responsibility for ensuring compliance with federal regulations as well as monitoring of expenditures, timely correction of errors, and proper allocation of expenses.

Grant managers ensure the transfer of costs are allocable, allowable, and reasonable, prepare and submit timely cost transfer journals and the cost transfer form, and retain copies of all related supporting documentation in accordance with the University record retention regulations.

Local level managing units (individuals responsible for account monitoring/management) assist PIs in the timely review and reconciliation of expenditures, prepare cost transfers and maintain adequate documentation of questionable costs, and ensure all personnel engaged in the financial administration of federally-funded

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sponsored awards are familiar with this policy. Local level managing units are also responsible for approving all under 90 day¹ cost transfers if granted “authorized approver” designation by their school/tub level official. *If a cost transfer is not approved it is the responsibility of the local level managing unit to ensure the cost is removed to a non-sponsored account in a timely manner.*

**Authorized approver(s)** have the authority to sign under 90 day¹ cost transfers. These individuals are approved by school/tub level officials and can only be assigned in local areas with sufficient internal control in place and no recent history of relevant internal or external audit findings. In the absence of a departmental authorized approver, this responsibility shifts to the school/tub level or to OSP. Individual schools may be more restrictive; refer to your local school/tub level official for guidance.

**School/tub level officials** provide oversight and are responsible for ensuring that local units abide by this policy and accompanying procedures when processing cost transfers. School/tub level officials are also responsible for the approval of all over 90 day¹ cost transfers before submission to OSP. School/tub level officials grant “authorized approver” designation to local level managing units. If a school/tub level official does not grant a local level managing unit “authorized approver” status to approve under 90 day¹ cost transfers then the school/tub level official will determine whether the school/tub or OSP will approve. Individual schools/tubs may be more restrictive; refer to local school/tub level official for guidance.

**Office for Sponsored Programs (OSP)** is responsible for maintaining the policy and accompanying procedures, addressing questions regarding the policy, approving over 90 day¹ cost transfers, and approving under 90 day¹ cost transfers if there is no school or local authorized approver.

*Individuals preparing cost transfers should first contact their school/tub level officials with any questions regarding this policy, or the application of this policy. This will ensure school/tub level officials are aware of cost transfer questions, and consistent guidance is provided within each school/tub.*

**Procedures**

**Overview**
Grant managers and/or local level managing units must conduct a timely review of grant expenditures. When purchasing an item or when transferring a cost, grant managers and department staff should ensure the item/cost will directly benefit the project onto which the expenditure will be charged. Items purchased at the end of a project (e.g., within the last 90 days¹) are subject to even greater scrutiny during an audit. Review of post award expense transactions conducted regularly will reduce the need for cost transfers, and, in most cases, a journal adjustment within the same month of the original expense will immediately correct erroneous transactions. *Any cost transfers affecting a previously submitted financial report or final invoice regardless of*

¹ 90 days means 90 calendar days from the 15th of the following month in which the charge was originally transacted. For example, if the original charge posted on 1/1/14, 90 calendar days are counted from 2/15/14.
how old the original transaction, are generally unallowable. Exceptions are rare and require both OSP and school/tub level approval.

The following sections address the procedures for the journal entries that:

1. Do not require a cost transfer form, regardless of the date.
2. Do not require a cost transfer form if completed within 90 days of the original transaction date.¹
3. Do not require a cost transfer form if completed within the specified time period (determined by the type of adjustment).
4. Require a cost transfer form and are considered “cost transfers” when completed within 90 days of the original transaction date.¹
5. Require a cost transfer form, are considered “cost transfers,” and are greater than 90 days after the original transaction date¹

1. **Journal Adjustments Exempt from the Cost Transfer Policy Regardless of Over/Under 90 Days**

   *Adjustments not requiring the CT form MUST NOT use the CT naming convention.*

   Below is a list of journal adjustments that are not considered cost transfers and, therefore, are not subject to this policy. Supporting documentation must be retained at the local level but these adjustments do not require the approval of an authorized approver.

   - Payroll journal entry adjustments to manually reverse and then re-post a salary journal solely for the purpose of correcting the “period of work performed” (no other portion of the transaction is changed)
   - Adjustments to correct tub, org, object code, or root values
   - Adjustments between main accounts, part-of accounts, and subcontract accounts within the same account group/reporting period
     - For task logic accounts, any movement within account group (e.g., moving from subactivity 0001 to 0002)
     - For year logic accounts, movement within a budget period (e.g., moving from subactivity 0101 to 0104)
   - Journals that only credit federal awards
   - An adjustment of a single direct cost transaction of less than $500

¹ 90 days means 90 calendar days from the 15th of the following month in which the charge was originally transacted. For example, if the original charge posted on 1/1/14, 90 calendar days are counted from 2/15/14.
2. **Journal Adjustments Exempt from the Cost Transfer Policy if Completed within 90 Days**

   *Adjustments not requiring the CT form MUST NOT use the CT naming convention*

   Below is a list of journal adjustments that are not considered cost transfers when completed within 90 days of the original transaction date\(^1\). If processed outside of 90 days\(^1\), a cost transfer form is required. Supporting documentation must be retained at the local level, but these adjustments do not require the approval of an authorized approver.

   - Transfer of pre-award expenses which were charged to a departmental/local unit account
   - Routine reallocation of costs charged elsewhere
     - Routine reallocations of costs can be characterized as the distribution of shared services or service center charges to sponsored and/or non-sponsored awards based on a documented allocation methodology. Examples may include animal per diems, glass washing, materials and supplies, technical support, and data storage.
     - Routine reallocation of these costs to federal awards must be done within 90 days of the original transaction date\(^1\). Distribution should occur at regular intervals (e.g., monthly).
   - Journals to align the allocation of prepaid tuition remission with effort
     - The cost transfer rules apply to the months/periods of the pre-paid tuition remission not the original date the tuition remission is posted to the GL.
     - Tuition remission adjustment should be completed at the same time of the salary allocation adjustment. For example, a graduate student’s fall tuition (Aug-Dec) was paid and posted in the GL in July according to his effort at the time. In December, the PI informed the grant manager that the student’s effort for the months of October through December has been reassigned. The month of October not July should be used to determine the 90 day\(^1\) deadline for the tuition remission adjustments.
   - Cost transfers to correct transactions to invalid sponsored code combinations
     - An invalid sponsored code combination is a charge in the GL for which the fund-activity-subactivity combination does not exist in GMAS.
     - Transactions posted to invalid code combination(s) do not appear on the PER nor in GMAS are not included on invoices or financial reports to federal sponsors.
   - Reallocation of faculty salary and fringe (object codes 6010, 6020, 6030 or 6040) before the annual effort has been certified in the effort reporting system (ecrt) or before the certification due date.

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\(^1\) 90 days means 90 calendar days from the 15\(^{th}\) of the following month in which the charge was originally transacted. For example, if the original charge posted on 1/1/14, 90 calendar days are counted from 2/15/14.
• Adjustments of direct costs between account groups set up to comply with the DHHS G to P\(^2\) reclassification when:
  - There are no carryforward restrictions, and
  - It is a non-competing year

3. **Journal Adjustments Exempt from the Cost Transfer Policy if Completed within Specified Timeframe**

Below is a list of journal adjustments that are not considered cost transfers when completed within the specified timeframe. If processed outside of the specified dates, a cost transfer form is required. Supporting documentation must be retained at the local level but these adjustments do not require the approval of an authorized approver.

- Reallocation of staff salary and fringe to reflect actual effort before the quarterly effort has been certified in the effort reporting system (ecrt) and before the certification due date
- Adjustments made within the same accounting period (month) of the original charge

4. **UNDER 90 Day Cost Transfers**

Below is a list of journal adjustments that require approval if corrected within 90 days of the original transaction date\(^1\), have not been reported to the sponsoring agency, and have not been included in a final invoice.

- Reallocation of original salary and fringe to reflect actual effort after the effort has been certified in the effort reporting system (ecrt) or after the certification due date
- Adjustments between main accounts, part-of accounts, and subcontract accounts not within the same account group/reporting period or budget period when year logic account is utilized in setting up an award in GMAS (e.g., moving from subactivity 0101 to 0201)

5. **OVER 90 Day Cost Transfers**

Over 90 day cost transfers must be submitted to school/tub level officials and OSP for approval. Approval for cost transfers submitted later than 90 days of the original transaction date\(^1\) will only be granted in extenuating circumstances.

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\(^1\) 90 days means 90 calendar days from the 15\(^{th}\) of the following month in which the charge was originally transacted. For example, if the original charge posted on 1/1/14, 90 calendar days are counted from 2/15/14.

\(^2\) DHHS G Account: The Department of Health and Human Services “G” account is a pooled account that we use to draw down funds via Letter of Credit in a pooled method. DHHS P Account: The Department of Health and Human Services “P” account is a fund-by-fund account that we use to draw down funds via Letter of Credit in a fund-by-fund method. All DHHS projects will be transitioning to the “P” account by the end of federal fiscal year 2016.
Examples of extenuating circumstances include the following:

- Late issuance of a relevant Action Memo
  
  *Note:* The deadline for submission of cost transfers is 45 calendar days after issuance of an Action Memo (*e.g.*, activation of new award, full execution of a subcontract, extension of time, incremental funding, etc.). Counting starts on the day after the action memo is issued

- Failure of another department to take action, *e.g.*, on a properly submitted payroll distribution change request, service center charges. Departments are required to provide evidence of timely follow up

- Sponsor requirement dictates the need for the cost transfer (*e.g.*, NIH fellowship stipend adjustments to comply with NIH X-train requirements)

- A debit to correct a credit to a federal award - only allowable to correct a duplicate credit or to match a submitted FFR or final invoice

**Extenuating circumstances DO NOT include:**

- A transfer that would result in the revision of a submitted financial report or final invoice

- Absences of PI or responsible administrator

- Shortage or lack of experience of staff

A corrective action plan may be required as part of the approval process.

**Documentation**

The following supporting documentation accompanying journals must be specific and fully explain the reason why the charge to the federal award is allowable, reasonable, and allocable:

- **Non-Cost Transfer Journal** - Journal description with sufficient detail to explain the reason for the adjustment and retain other relevant documentation, (*e.g.*, copy of invoice, etc.)

- **Under 90 Day¹ Cost Transfer** - A draft or out-of balance journal or a copy of submitted, but not approved, AP adjustment screenshot (for equipment), detail listing of original charge, CT Form, and other supporting documentation

- **Over 90 day¹ Cost Transfers** - A draft or out-of balance journal or a copy of submitted, but not approved AP adjustment screenshot (for equipment), a detail listing of original charge, CT form, and other supporting documentation justifying the lateness of the cost transfer (*e.g.*, copy of action memo,

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correspondence between departments and central offices, etc.) should be attached to the cost transfer form.

- An approved corrective action plan if required as part of the over 90 day cost transfer approval process

**Naming Conventions**

**Non-CT Journal Entries**
Adjustments not requiring the CT form must not use the CT naming convention.

Example: “JV^FCOR^CCB^ JHM^FEB-APR 2015”

**Under 90 Day Cost Transfers**
The Batch Name for the <90 day cost transfer journal should use the proper cost transfer naming convention:

"CT^TUB^ORG^ Preparer's Initials^Description^Date (or Date Range) of original transaction(s)," and reference the CT Form submitted (e.g., "Transfer June '14 salary to fund 123456" or "See related CT Form").

Cost Transfer example: “CT^FCOR^CCB^ JHM^See related CT form^FEB-OCT 2015”

**Over 90 Day Cost Transfer**
The batch name for the >90 day cost transfer journal should use the proper cost transfer naming convention and include “OVER 90.”

Example: “CT^OVER90^FCOR^CCB^JHM^See related CT form^FEB-OCT 2015”

**AP Adjustments**
AP adjustments for equipment invoices cannot be named and therefore do not follow the naming convention. AP adjustments that require CTs are identified on the AP adjustment form.

- If an AP adjustment is exempt from the CT policy, that the requestor should not click the CT flag in the AP adjustment form

**Other Considerations**

- A Vendor Justification Form (VJF) is required for purchases over $5,000 at the time of original purchase if moving from non-federal to federal funds.
- Over 90 day cost transfer journals should be posted within 5 business days of being approved.
- At-risk accounts are strongly recommended if a delay in award funding or execution is anticipated. The timely set up of at-risk accounts will likely eliminate the need to process cost transfers.
- At no time should federally-funded sponsored accounts be used as holding accounts for expenses which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or the new account number has not yet been received.
- When a cost transfer form is required, cost transfer journals should be processed only after the cost transfer form has been approved.
– Cost transfer journals may be created in draft or in "out-of-balance" form. The cost transfer journal may not be posted to the GL until the cost transfer form is approved by the authorized approver, school/tub level approver, or OSP.

– AP adjustments may be submitted but will not be approved by the AP Adjustment Approver until the cost transfer form is approved by the authorized approver, school approver, or OSP.

• Requestors can avoid lateness by anticipating the possible need for additional clarification or documentation from the approvers at department/local level, the school and/or OSP.

• Requestors are advised to submit explanations for lateness (i.e., over 90 days from the original transaction\(^1\)) to OSP and their school/tub level official for review before completing the cost transfer journal and assembling backup documentation. OSP and the school/tub level official are available to assist departments in all aspects of cost transfer explanation and preparation of all cost transfer documentation.

Definitions

**Activity:** Six-digit chart value and required segment of the sponsored account string that captures the purpose or use of funds.

**Account Group:** Numeric identifier that groups accounts (fund/activity/subactivity) together for financial reporting purposes. A new account group is created for each budget year when year logic is used. The subactivities (i.e., main, part of, and subcontract) are reported in aggregate by account group.

**Action Memo:** The official University communication regarding a sponsored award notice accepted by the University. Certain award terms and conditions, dates and dollars, and accounts activated for the award are included. The Action Memo is also used to communicate authorized internal requests and administrative changes.

**GMAS:** Grants Management Application Suite. GMAS is the engine behind the administration of the University’s $800+M in sponsored funding. This system is the University’s system of record for proposals, awards, financials, and documentation related to sponsored projects.

\(^1\) 90 days means 90 calendar days from the 15\(^{th}\) of the following month in which the charge was originally transacted. For example, if the original charge posted on 1/1/14, 90 calendar days are counted from 2/15/14.
Invalid Sponsored Code Combination: A charge in the GL for which the fund-activity-subactivity combination does not exist in GMAS. Please note: Transactions posted to invalid code combination(s) do not appear in the project financials in GMAS and are not included on invoices or financial reports to our sponsors. They do, however, appear in the GL and are the responsibility of the department to address.

PER: Period Expense Report, report generated from CREW, Common Reporting Environment for the Warehouse

Pre-Award Costs: Those costs incurred prior to the effective date of the federal award directly pursuant to the negotiation and in anticipation of the federal award where such costs are necessary for efficient timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with approval from the federal awarding agency.

Submitted Financial Reports and/or Final Invoices: Many sponsors require the submission of annual and/or final financial reports or invoices at the end of each budget period and/or end of the project. Final reports and/or final invoices are submitted at the award termination. The final report also includes annual reports for a specific budget period when the award is set-up as year logic, and the accounts for the reporting period require final figures for closeout.

Subactivity: A subactivity is a 4-digit value within Harvard's Chart of Accounts that helps to identify tasks, phases, years or sub-categories within an activity of an award. A subactivity is required for sponsored awards and allows an award to be broken down by tasks and/or grant years.

Task Logic Account: Subactivity values within an award are typically structured either by task logic or by year/task logic. When task logic is used, the first two digits of the subactivity values are “00” which usually indicates that the values are used for the duration of an award; the last two digits may represent a unique task within an award. Task logic may be used for sponsored awards that allow automatic carryforward of funds from one budget period to the next.

Year Logic Account: Some awards require separate account(s) for each budget year specifically when a sponsor requires annual reporting and does not allow automatic carryforward of funds from one budgeted period to the next. In these circumstances, year logic account structure is required to facilitate tracking and reporting for each budget period. When year logic is used the first two digits of all sub-activity values indicate the year/period of the project (e.g., “01” is the first period and “02” is the second period); the last two digits represent a unique task (e.g., main account, subcontract, part-of account, program income).

Related Policies and Guidance

Academic Service Center Policy
Capital Equipment Policy for Schools with Sponsored Research
Effort Reporting Policy
Financial Closeout Policy
General Records Schedule
Sponsored Expenditure Guidelines
Internal Billing Transactions Policy
Recording Cost Transfer Information in the AP Adjustment Form

Cost Transfer Contacts

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For all other tubs, please contact the OSP portfolio manager assigned to your department/unit:
http://osp.fad.harvard.edu/content/contact-osp

Related Policies and Guidance

- Academic Service Center Policy
- Capital Equipment Policy for Schools with Sponsored Research
- Effort Reporting Policy
- Financial Closeout Policy
- General Records Schedule
- Sponsored Expenditures Guidelines
- Internal Billing Transactions Policy
- Recording Cost Transfer Information in the AP Adjustment Form

Revision History

December 2014

- Added example of cost transfer naming convention for over 90 days CTS,
- Added OSP contacts links to contacts section for all other tubs,
- Updated Uniform Guidance References

June 2015

- Clarification of language relating to allowable exceptions regardless of dates for payroll entries to correct “period of work performed” and single direct cost transactions under $500
- Added an under 90 day exception for DHHS accounts converting from P to G classifications
- Clarification of language relating to over 90 day exception for duplicate credits
- Added language to indicate that Corrective Action Plans may be required
- Added two additional “Other Considerations” 1) VJF’s are required prior to purchases even if costing is transferred to a federal award and 2) over 90 day CT journals should be posted within 5 business days
• Added definition of GMAS and PER