# Appendix A: Cost Transfer (CT) FAQs

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1. What is a cost transfer?
A cost transfer (CT) is a type of 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.

2. What is a non-cost transfer journal?
A non-cost transfer journal is any GL journal entry that doesn’t require cost transfer approval.

3. How do I determine if my journal requires cost transfer approval?
Some journals are never classified as cost transfer journals and do not require approval. Other journals are not considered CT journals if they are posted within 90 days of the original transaction date or some other specified time period.

GL adjustments to federal awards fall into one of five categories as described in the Procedures section of the Cost Transfer Policy.

The Journal Entry Cost Transfer Determination Tool was developed to assist with the process. The tool is available on the OSP web site and is available as a link within the Cost Transfer Policy under the Resource section.

4. How do I avoid a cost transfer?
Cost transfers can be avoided by ensuring prior to purchase, that all items will directly benefit the project and by conducting a regular (monthly) post award review of transactions to immediately correct erroneous transactions. Cost transfers can also be avoided by setting up, when appropriate an at risk account also referred to as an advance account. This will avoid the need to move costs at a later time. For collaborative projects, across departments (Orgs, Tubs), ongoing follow-up with the Main Org may be necessary to ensure accounts are set up on a timely basis.

5. What is an at-risk or advance account?
An account that is set up to allow PIs to initiate spending on their awards before the University receives or accepts the award. At-risk accounts, also known as advance accounts, provide PIs with an opportunity to initiate sponsored research projects prior to institutional acceptance of an award by the appropriate pre-award sponsored research office. Note: funds posted to an advance account are “at the risk” of the PI and/or department/school and in the event an award is not accepted, the funds would need to be covered by another non-sponsored source of funding.

6. Are there situations when a journal or a cost transfer is not allowed?
Yes, if a final invoice has been processed, or a financial report has been submitted, then a journal or cost transfer is unallowable, except in extraordinary circumstances.
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7. What happens if my cost transfer request is not approved?
When a CT is not approved, if the expense is on another federal award, that expense must be removed from that federal award and placed on an appropriate non-federal account.

8. What do I do if I am not sure if the Federal Financial Report (FFR) has been filed?
Contact your post award/research finance OSP rep.

9. What is the naming convention for CT journal entries?
All Cost Transfer journals that require an approved Cost Transfer Form must start with “CT”. The rest of the name can follow the University standard naming or school/tub practice. If any of the costs in the journal are over 90 days, include OVER 90 in the description. See examples below:

**Under 90 day cost transfer:** "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 '15 salary to fund 123456" or "See related CT Form"). Cost Transfer Batch Name example: “CT^FCOR^CCB^NMG^See related CT form^FEB-APR 2015”

**Over 90 day cost transfer:** “CT^OVER90^FCOR^CCB^NMG^See related CT form^OCT-DEC 2014”

10. What is the naming convention for non-CT journal entries?
The journal naming convention should follow University standard or school/tub rules. Preparer’s tub, Preparer’s org/unit (optional, but preferred), Preparer’s initials, purpose of the journal, followed by date. See example below:

“JV^FCOR^CCB^ JHM^FEB-APR 2015”

11. What is the supporting documentation for a cost transfer?
The supporting documentation accompanying journals must be specific and fully explain why the charge to the federal award is allowable, reasonable and allocable. In all cases, the supporting documentation must be retained at the local level for audit purposes. It is recommended that the supporting documentation be uploaded into the GMAS document repository.

The following documentation is required for cost transfers:

**For both under and over 90 Day Cost Transfers:**

- A draft out-of balance journal from Oracle or a copy of submitted, but not approved, AP adjustment screenshot (for equipment) or a copy of and ADI excel sheet prior to upload
- A detail listing of the original charge(s) that clearly identifies the charges to be moved
- A completed CT Form

**Additional Documentation for over 90 day Cost Transfers:**

- Other supporting documentation justifying the lateness of the cost transfer (e.g., copy of action memo, correspondence between departments and central offices, etc.)
12. Where do I retain the Cost Transfer Documentation?
It is recommended that you upload all documents into GMAS. If you do not use GMAS, please be aware of local level documentation requirements. In GMAS,

1. Go to the Segment Repository
2. Create a Cost Transfer Folder under Segment repository
3. Upload Cost transfers and supporting documents to the CT folder, using the standard naming convention: CT_Fund_MM_DD_YY_Initial

Example:

CT_100008_10_15_14_MX

CT_100008_Over 90_10_15_14_MX

13. What are the record retention requirements for cost transfer documentation?
Cost Transfer documentation must be retained in accordance with specific grant requirements. Please refer to the Record Retention Policy for additional information
14. Which journal entries are always exempt from the CT policy, regardless of the date of posting (provided that the FFR or final invoice hasn’t been sent)?

- A payroll adjustment to reverse and re-post a salary journal solely for the purpose of including or correcting the “period of work performed”
- Adjustments to correct tub, org, object code or root values
- All adjustments between main accounts, part-of accounts, and subcontract accounts within the same account group/reporting period when task logic is utilized in GMAS. Adjustments between the main account, part-of accounts and subcontract accounts within the same budget period when year logic is utilized in GMAS
- Journals that are made only to credit a federal award
- Journaling a single direct cost charge under $500 (see FAQ #31)

15. What are Task logic and year logic accounts?
The subactivity is an indicator as to whether an award has been set up with task logic or year logic, as well as if the award was set up using more than one Account Group. Task logic may be used for sponsored awards that allow automatic carryforward of funds from one budget period to the next or to treat multiple years as one budget period. When task logic is used, the first two digits of the subactivity values are generally “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.

Year logic is used when 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 subactivity values generally 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). Year logic accounts have more than one Account Group with multiple subactivities that can be aggregated by their associated projected period or awarded year of funding.

16. Which journal entries are exempt from the CT policy if posted within 90 days of the transaction date?

- Transfer of pre-award expenses charged to a departmental account
- Routine reallocation of costs charged elsewhere (e.g lab supplies, shared services)
- Journals to align the allocation of prepaid tuition remission with effort (See page 4 of the policy for additional information.)
- Cost transfers to correct transactions to invalid sponsored code combinations made within 90 days when correcting fund, activity, and subactivity values
- Reallocation of faculty salary (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
- Adjustments of direct costs between account groups set up to comply with the DHHS G to P re-classification when:
  - There are no carryforward restrictions, and
  - It is a non-competing year
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17. Which journal entries are exempt from the CT policy if posted within a specified time frame after original transaction date?
   - Reallocation of staff salary and fringe to reflect actual effort before the quarterly effort has been certified, or before the due date of the certification, in the effort reporting system, ecrt
   - Adjustments made within the same accounting period (month) of the original charge

18. When are cost transfers allowed over 90 days?
Over 90 day cost transfers are subject to increased scrutiny, both internally and externally, because they can demonstrate a lack of proper stewardship of federal funds. Cost transfers processed for reasons such as spending funds before an award ends, meeting deficiencies caused by cost overruns, getting around budget restrictions, fixing a large number of administrative efforts, or compensating for improper award management are **not acceptable**. Exceptions can only be made with sufficient justification to support the extenuating circumstances. The approved extenuating circumstances for over 90 day cost transfers are:

   - Late issuance of a related Action Memo for reasons beyond the control of the requestor
   - Failure of another department to take action. The department submitting the CT is required to provide evidence of timely follow up actions.
   - Sponsor requirement dictates the need for the cost transfer
   - A debit to correct a credit to a federal award to match a submitted Federal Financial Report (FFR) or final invoice (see question #21)

19. Do I need a cost transfer form to move preaward costs from one competing segment to the next competing segment within the same project?
Yes.

20. When can I use the exemption if the “Sponsor requirement dictates the need for the cost transfer”?
This is a rarely used exemption, only allowable when a sponsor specifically requires that we post particular expenditures to a specific award. For fellowship and training grants, as for all awards, costs must be posted to the right account initially and any corrections made within 90 days.

21. When does the “debit to correct a credit on a federal award” apply?
This exception only applies after an FFR has been submitted. This circumstance occurs when there is a duplicate credit and the debit results in the total expenditures matching a submitted FFR. This exemption is utilized when a credit is either duplicated or is erroneously applied to an award. It is not applicable to correct errors or reverse credits.
22. How is the 90-day window counted?
The 90 day window is counted from the 15th of the month following the date of the original transaction. For example, if the original charge posted on 1/11/15, 90 calendar days are counted from 2/15/15 (day 1). The cost transfer journal must be posted to GL by 5/15/15. See the Cost Transfer Calculator under the Resources Section of the Cost Transfer Policy. Note that the 15th is day one of the count of 90 days. Note that these are calendar days, and not business days.

23. What are the requirements for posting under 90 day cost transfers?
Journals should be posted within 5 business days of the date on the approved CT form. If the 90th day is sooner than the 5 business days, the journal should be posted by the 90th day.

24. What if the 90th day falls on a Sunday?
Journal should be posted on the last business day before the 90th day.

25. What are the requirements for posting over 90 day cost transfers?
Over 90 day CT journals should be posted within 5 business days after it has been approved.

26. What if some charges are over 90 days and some are under 90 days?
One over 90 day cost transfer journal can be prepared, approved and posted for all the charges. If there is any question about approval of the over 90 day CT, contact your OSP post award/research finance rep and/or school rep before preparing the cost transfer. Note that the over 90 day naming convention should be used.

27. What date do I use for journal entries that involve multiple charges posted on different days?
Use the earliest date.

28. If a late action memo is issued after 90 days, do I need to post two journals for the over and under 90 days portion?
No, you can submit one journal provided the CT is approved within 45 calendar days of the action memo.

29. What if the journal request is submitted on the 90th day (or 45 days for a late action memo)?
Cost Transfers should be posted by the 90th day. Contact your OSP post award/research finance representative or school representative immediately if the request is approaching the 45th or 90th day. Departments are responsible for ensuring urgent cost transfers are received by their OSP or school representative so that they can be expedited. Every effort should be made to avoid urgent cost transfers; it is recommended that all cost transfer requests be submitted at least 5 business days before the due date.
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30. What fiscal period do I post the CT to if it is approved after the end of the month?
You can post an approved CT to any open GL period provided that the GL transaction date is on, or after, the CT approval date.

31. Can I move multiple transactions on the same journal if the total journal exceeds $500?
The $500 threshold is applied separately to individual transaction lines in the GL; therefore one journal entry can be over $500. (Journals to move transactions under $500 do not need cost transfer approval, regardless of date, provided the transaction does not affect a submitted FFR or final invoice).

Example:
While reconciling your accounts, you identify three individual transactions on the same date in the previous month that should be moved to a federal account; all payments were made to the same vendor in the same object code, for $450, $300, and $600.

31a. Can you move the $450 and $300 transactions without a Cost Transfer Form?
Yes.

31b. Can the $450 and $300 transactions be moved on one journal?
Yes, provided that each debit transaction is a separate line in the journal.

31c. Can you move $300 of the $600 transaction without a Cost Transfer Form?
Maybe. You can move the $300 only if this portion of the $600 is a line item transaction identified specifically with this grant. (e.g. specific supplies on a larger order). The invoice or other documentation identifying the individual line item(s) should be retained as backup.

31d. Can you move $300 twice (two journals to the same award) for a $600 transaction without a Cost Transfer Form?
No. A single GL transaction may not be subdivided to create multiple transfers for less than $500 each. The only exception is where the GL transaction is made up of individual line item transactions that can be substantiated by an invoice: e.g. a $600 transaction is made up of two separate $300 supplies that were listed together under one order to a vendor.

32. If a transaction is less than $500 but is associated with certified effort, is a CT form required?
No, provided that the FFR or final invoice has not been filed (in this circumstance NO journal is allowed). The journal will re-open an effort certification in ecrt if the change is greater than the 3% threshold (for staff) and require recertification.

33. Are cost transfers required for capital equipment AP adjustments?
Cost transfer approval is required before an AP adjustment can be approved and posted to the AP system. AP adjustments are subject to the same criteria as journal entries, i.e. if the adjustment is more than 90 days from the original transaction and does not meet any of the Cost Transfer Policy exclusions, a Cost Transfer Form is required.
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Please note that the AP adjustment (journal) should be posted within 5 business days of the date on the approved CT form. If the 90th day is sooner than the 5 business days, the AP adjustment should be posted by the 90th day. A Job Aide, Recording Cost Transfer Information in the AP Adjustment Form, as well as additional instructions for completing the CT are available on the OSP website.

34. I have already made one adjustment to the account coding of a piece of capital equipment through an AP adjustment and need to change the account coding again. Do I use the date of the original transaction or the date of the first adjustment to calculate the cost transfer?
The date of the original transaction should be the start date for counting any cost transfer. Note that the AP adjustment process only allows for two changes to any costing line. Any additional transfers will be completed as journal entries but should only be done in extremely extenuating circumstances; contact your local equipment manager for assistance.

35. Does the Cost Transfer Policy apply to settling Short-Term (STOA) and Long-Term Operating Accounts (LTOA)?
No. STOA's and LTOA's do not require Cost Transfers because they are deemed an original charge to the award. The non-sponsored account that is credited when processing an STOA/LTOA journal is the account that was originally charged to release funds for the account. Therefore the reconciling debit is considered the original charge because this is the first time an expense is being recorded on Harvard's GL.

A Short-Term Operating Advance (STOA) account is generally set up to accommodate short-term (six months or less) projects carried out by Harvard personnel where a petty cash fund is not appropriate.

A Long-Term Operating Advance (LTOA) account is generally set up to accommodate long-term (six months or more) foreign projects carried out by Harvard personnel.

See http://policies.fad.harvard.edu/pages/bank-accounts for policy information on settling these accounts.

36. What if my authorized approver is on vacation?
OSP is available to sign cost transfers when there is an absence or vacancy of a school authorized approver. Send the CT package to the following email address: osp_cost_transfer@harvard.edu

37. What is the process for becoming an Authorized Approver?
Contact your school/tub research office with questions about local Authorized Approvers. OSP will provide training and the required certification once the school approves the Authorized Approver request.

38. Is a Vendor Justification Form required for purchases over $5,000 at the time of original purchase if moving from non-federal to federal funds?
Yes. A Vendor Justification form must be completed at the time of purchase and a copy submitted with the CT paperwork to the approver.
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39. Is a Suspension and Debarment certificate required for purchases with a cumulative total of $25,000 or more if moving from a non-federal to federal funds?
Yes. A Suspension and Debarment Certificate must have been completed at the time of purchase and should be submitted with the CT paperwork. Note that the vendor must complete the certification prior to the commitment to purchase.

40. Do I need a cost transfer form when a reversal of an erroneous or duplicative journal in Oracle results in a debit to the federal account? (This refers to hitting “Reverse” button in the Oracle system)
Yes.

41. Do I need to complete a cost transfer to add an additional staff member’s salary onto a federal award when this individual was not originally on the certification? Is the answer different if the project statement has already been certified?
Yes, the answer is different if the project statement has already been certified versus if it has not. The policy states that staff salary transfers can be made as non-CT journals if the quarterly statement for the grant has not yet been signed and it is not past the certification due date. Once the statement has been signed, any salary transfers relating to the grant will require a CT regardless of whether the individual’s salary wasn’t include in the original certified statement. For any unsigned quarterly statements that are past the certification due dates, a CT is also required.