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# 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.

# What is a non-cost transfer journal?

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

# How do I determine if my staff salary journal requires cost transfer approval?

A staff salary and fringe journal requires a cost transfer if staff salaries have been certified in the effort reporting system OR are past the quarterly certification due date, even if the journal has been posted within 90 days of the original transaction date.

There are other exceptions that apply to the salary journals including transactions under $500, changes to org or root, or entries changing “period of work performed”. See the cost transfer flowchart of [CT Determination tool](https://harvard.az1.qualtrics.com/SE/?SID=SV_6KHUD332aDtl32B).

# How do I determine if my faculty salary journal requires cost transfer approval?

A cost transfer is required if faculty salary:

* Is over 90 days from the original transaction OR
* Has been certified OR
* Is past the certification due date

There are other exceptions that apply to the salary journals including transactions under $500, changes to org or root, or entries changing “period of work performed”. See the cost transfer flowchart of [CT Determination tool](https://harvard.az1.qualtrics.com/SE/?SID=SV_6KHUD332aDtl32B).

# Does a cost transfer always re-open an effort certification or does a journal entry that will cause an effort re-certification to re-open require CT approval?

Depending on the circumstances, a salary journal adjustment may or may not trigger the reopening of a signed effort certification in the effort reporting system (ecrt). Similarly, a cost transfer journal may or may not trigger the reopening of a signed effort certification in ecrt.

For example:

* A salary journal for under $500 does not require a CT but it may trigger the effort certification to re-open (if the percentage change in effort for the quarter is over 3%).
* A CT salary journal will not trigger the related effort certification to re-open if the changes in salary to federal awards are under 3%.

# How do I avoid a cost transfer?

Cost transfers can be avoided by ensuring prior to purchase or direct charging salary, 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](http://osp.finance.harvard.edu/advance-account). This will avoid the need to move costs at a later time. For collaborative projects using part-of accounts across departments (Orgs, Tubs), ongoing follow-up with the Main Org may be necessary to ensure accounts are set up on a timely basis.

# 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](http://osp.finance.harvard.edu/advance-account), 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.**

# Are there situations when a journal or a cost transfer is not allowed?

Yes, if a final financial report, final invoice, or a financial report/invoice submitted at the end of the budget reporting period for year logic accounts has been submitted, then a journal or cost transfer is unallowable, except in extraordinary circumstances.

# 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.](http://osp.finance.harvard.edu/contact-osp)

# What is the process for becoming an Authorized Approvers?

 Contact your school/tub research office with questions about local [Authorized Approvers.](http://osp.finance.harvard.edu/cost-transfer-policy#AA) OSP will provide training and the required certification once the school approves the Authorized Approver request. School/tub research office may decide not to delegate this responsibility to the department level.

# 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 sub- activity 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). Year logic accounts have more than one Account Group. Each Account Group may have multiple subactivities that can be aggregated by their associated project period or awarded year of funding.

# How is the Cost Transfer 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](http://osp.finance.harvard.edu/cost-transfer-policy) under the Resources Section of the [Cost Transfer Policy.](http://osp.finance.harvard.edu/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.**

# 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.

# What if the 90th day falls on a Sunday?

The journal should be posted on the last business day before the 90th day.

# 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.

# 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, post the under 90 day portion and 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.

# What date do I use for journal entries that involve multiple charges posted on different days?

Use the earliest transaction date.

#  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 issuance of a related action memo.

# What if the journal request is submitted on the 90th day (or 45 days for a late action memo)?

The 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.

# What fiscal period do I post the CT to if it is approved after the end of the month or during year end closing?

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.

# If a transaction is less than $500 but is associated with a certified effort, is a CT form required?

No, provided that the final financial report, final invoice, or a financial report/invoice submitted at the end of the budget reporting period for year logic accounts 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.

#  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 and note the absence of a tub level approver.

# Do I need to complete a cost transfer form for salary adjustments between a main accounts, part-of accounts, and subcontract accounts within the same account group/reporting period?

Yes. A cost transfer is required if the salary has already been certified. In general, salary journals should be completed before the effort/salaries are certified the effort reporting system (ecrt). When a journal is needed to correct the already certified salary/effort, a cost transfer is required even if the adjustment is between the accounts within the same account group/reporting period. The purpose of the CT review and approval is to provide the oversight for additional corrections and adjustments needed for already certified salary/effort. Typically, this type of the CT request including over 90 days CT will be approved.

# 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.

# What happens if my cost transfer request is not approved?

If the CT is not approved, and the expense is on another federal award, that expense must be removed from that federal award and placed on an appropriate non-federal account.

1. **Which journal entries are always exempt from the CT policy, regardless of the date of posting (provided that the a final financial report, final invoice, or a financial report/invoice submitted at the end of the budget reporting period for year logic accounts hasn’t been sent)?**

There are two separate categories that are always exempt from the CT Policy, one is for Salary Journals and the other is for Non-Salary Journals.

 A) Salary, fringe, and tuition remission journals always exempt from the Cost Transfer Policy:

* + - Adjustments for salaries are made within the same accounting period (month) of the original charges
		- Journals for salary and fringe that only credit federal awards
		- A journal adjustment of a single salary direct cost of less than $500 (even if the salary has been certified).
		- Payroll journal entry adjustments to manually reverse and then repost a salary journal solely for the purpose of correcting the “period of work performed” (no other portion of the transaction is changed)
		- Salary and fringe adjustments to correct tub, org, object code, or root values

B) Non-salary journals always exempt from the Cost Transfer Policy:

* + - Adjustments made within the same accounting period (month) of the original charges
		- Journals that only credit federal awards
		- An journal adjustment of a single direct cost transaction of less than $500
		- Adjustments to correct tub, org, object code, or root values only
		- 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)

See FAQ #3 and #4 for information on salaries that are not exempt from the CT policy.

# Which non-salary journal entries are exempt from the CT policy if posted within 90 days of original 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 allocate tuition support and stipend payments originally charged on a departmental account and moved to a federal training grant or fellowship award. This exemption does not apply to tuition remission.
	+ Cost transfers to correct transactions to invalid sponsored code combinations made within 90 days when correcting fund, activity, and subactivity values
	+ 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

# Which salary, fringe, and tuition remission journal entries are exempt from the CT policy if posted within a specified time frame after original transaction date?

* + Reallocation of staff, including non-faculty researchers, salary and fringe to reflect actual effort
* Before the quarterly effort has been certified in the effort reporting system(ecrt) **and**
* Before the quarterly certification deadline or due date
* When the journal is processed to match a quarterly manually certified effort statement provided that all of the following conditions are met:
	+ The certification was signed before the due date, and
	+ The journal results in the effort percentages matching the manually certified effort statement, and
	+ The journal was posted within 5 business days of the signature date on the quarterly statement
	+ Reallocation of the salaries of **faculty** and other individuals who require annual effort certifications when the following apply:
		- Journal is completed within 90 days of original transaction date; **and**
		- The annual effort has not been certified in the effort reporting system (ecrt) **and**

The effort certification due date has not passed.

* + Journals to align the allocation of **prepaid tuition remission** with effort on a research award. Note that the reallocation of tuition remission must match the salary distribution of relevant work effort
* Journals can be made Within 90 days1 of the time period associated with the related salary not the original date the tuition remission was posted to the GL; **or**
* If the salary has been adjusted, the tuition journal can be posted until the effort is certified provided the effort certification due date has not passed.

# 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.

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

Yes.

b. Can the $450 and $300 transactions be moved on one journal?

Yes, provided that each debit transaction is a separate line in the journal.

c. Can you move $450 of the $600 transaction without a Cost Transfer Form?

You can move the $450 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, or a portion of a staff ‘s monthly salary charged to a specific grant. Note it is not allowed if the journal amount is reduced in order to stay within the allowable less than $500 threshold without a CT form. The invoice or other documentation identifying the individual line item(s) should be retained as backup.

# Does the Cost Transfer Policy apply to settling Short-Term (STOA) and Long-Term Operating Account (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

# Do I need a cost transfer form to move pre-award costs from one competing segment to the next competing segment within the same project?

Yes.

# Do I need a cost transfer form when reversing a journal entry that results in a debit to the federal account?

The CT rules relating to a reversing entry are determined by the date of the original transaction in the general ledger. The date of the journal entry being reversed is irrelevant in applying the CT rules.

For example, an incorrect journal was posted on 3/10/17 to transfer a portion of a staff member’s salary charged in October 2016 from a federal account to a department account. In late March 2017 the department determined that the journal entry should be reversed. A cost transfer is required to process the reversal journal as the original salary charges were in October 2016 and the effort certification process for that period is closed.

# When are cost transfers allowed over 90 days?

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 (see question#32)
* A debit to correct a credit to a federal award to match a submitted Federal Financial Report (FFR) or final invoice (see question #21)
	+ - Journal for staff salary adjustments between the main accounts and/or part of accounts **within the same account group/reporting period, if processed**:
		- **after** effort has been certified in the effort reporting system (ecrt); or
		- **after** the certification due date.
	+ Journal for facultysalary adjustments between the main accounts and/or part of accounts **within the same account group/reporting** period after 90 days from the original transaction date.

# 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.

# 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. This exemption may be appropriate in some extenuating circumstance when a cost transfer is necessary due to the specific financial arrangement negotiated in an award or a subaward.

For fellowship and training grants, as for all awards, costs include unliquidated obligations must be posted to the right account initially and any corrections made within 90 days.

For example, Harvard received a grant from NIH and we then issued a cost-reimbursement subaward which provides for advanced payments.  The award account is set up as year logic, and the first advanced payment was made.   Subsequent advanced payments were made after receipt, review, and approval of the subreceipient’s invoices and financial reports.  Per the terms of the subaward agreement, the final financial report was submitted 45 days after the budget period end date.

The final subaward payment on the first year account (an expense on the NIH award) was posted to the Harvard general ledger 45 days before the end of the budget period.   However, the subrecipient reported a cash balance on their final report for year one.   The amount of the cash balance on the subaward will be used as an offset against the first payment for year two.  Since this is a year logic account, an over 90 days cost transfer will be necessary to move the amount of the unexpended cash balance from year one account to year two account.

# Do I need to complete a cost transfer form to move the costs from a cost sharing companion account to the federal award account with the same activity and subactivity values?

Yes. The costs on the companion account is charged to a non-restricted university fund and requires a CT when moving the costs onto the federal fund, unless it meets one of the exemptions for salary and non-salary journals indicated in the cost transfer policy.

# 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”

# 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:

“FCOR^CCB^ JHM^FEB-APR 2015”

# 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
	+ Copies of the Vendor Justification Form (VJF) for purchases over $5,000 and a signed debarment form for purchases over $25,000 that were completed at the time of commitment, if moving costs from a non-federal account.
	+ When transferring air travel costs from a non-federal account, a copy of the flight itinerary showing evidence of travel on the lowest economy airfare is required. Additional supporting documentation may also be required:
* An approved Federal Lowest Economy Airfare Travel Reimbursement Exception Form
* Signed Fly America Travel Reimbursement Form (if US flag air carrier is not used)

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.)

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

# 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\_14\_15\_MX

 CT\_100008\_Over 90\_10\_14\_15\_MX



# Is a Vendor Justification Form required for purchases over $5,000 at the time of commitment, if moving from non-federal to federal funds?

Yes. A [Vendor Justification Form](http://hwpi.harvard.edu/os_fast/files/able/vendor_justification.pdf) must be completed at the time of commitment and a copy submitted with the CT paperwork to the approver. Otherwise the purchase cannot be moved to federal funds.

# 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](http://www.procurement.harvard.edu/debarment.pdf) must have been completed at the time of commitment and should be submitted with the CT paperwork.

# 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.

# Are cost transfers required for capital equipment AP adjustments?

Yes. 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.

# 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.

# Why are Over 90 day cost transfers subject to increased scrutiny? 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.