**Lincoln University of Pennsylvania**

UNIVERSITY GRANTS, CONTRACTS AND COOPERATIVE AGREEMENTS

Title: **University Cost Transfer Policy & Procedures**

Effective Date: May 21, 2020

Supersedes: N/A

Issuing Authority: Office of Research and Sponsored Programs

Responsible Officer: Vice President for Finance & Administration

**Policy**

It is the policy of Lincoln University (“the University”) that all cost transfers, inclusive of sponsored programs (grants, contracts, and cooperative agreements) must be processed in compliance with Federal Office of Management & Budget (OMB) Uniform Guidance, and other sponsor requirements. All cost transfers must be appropriately justified, documented and completed in a timely manner to support its allowability. Principal Investigators (PI's) are responsible for ensuring all cost transfers are executed in compliance with this policy.

**Purpose of this Policy**

The purpose of this policy is to set forth the circumstances for transferring charges to or from a sponsored programs’ award.

**Scope of this Policy**

This policy is applicable to all colleges, departments, units and personnel of the University involved in administering sponsored programs’ awards.

This University policy follows the rules listed below which govern cost transfers. These procedures are in compliance with the Federal Office of Management and Budget Uniform Guidance ([**OMB Uniform Guidance**](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) **2 CFR 200**) and other Federal sponsors’ regulations:

* Cost transfers to all sponsored projects should be completed within 90 days from the original transaction date. 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.
* An explanation merely stating that the transfer was made ‘to correct error’ or ‘to transfer to correct project’ is not sufficient.
  + Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.
* Grantees must maintain documentation of cost transfers, pursuant to 2 CFR 200.233 [record retention requirements] and must make it available for audit or other review.
  + Frequent errors in recording costs may indicate the need for accounting system improvements and/or enhanced internal controls.
  + Sponsors may require a grantee to take corrective action by imposing additional terms and conditions on an award.
* “Frequent, tardy and unexplained (or inadequately explained) transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the institution’s accounting system and internal controls.” (*PHS Grants Administration Manual, Part 601.0 Sub a*)

It is the responsibility of each unit at Lincoln University to adapt the following institutional standards of practice:

* Process cost transfer journals, if necessary;
* Ensure that cost transfer journals are posted to the project correctly;
* Retain copies of all related documentation in accordance with University record retention policies;
* Ensure that all personnel engaged in the financial administration of sponsored projects are familiar with the University Cost Transfer Policy.

1. **Criteria for Cost Transfers**

A retroactive cost transfer is justified in the following circumstances:

1. *Clerical and data entry errors* – Any request to correct a clerical error should be accompanied by an explanation of how the error occurred. The correcting entry must include a statement certifying that the adjusted charge/credit is correct and appropriate. Any explanation that merely states that the transfer is made “to correct error” or “to transfer to correct project” is not sufficient. It’s very relevant to note that frequent errors in the recording of costs may indicate the need for improvements in post-award management.
2. *Transfers between continuation years for the same award number* – It is possible that if a continuation project number is not established promptly, continuation sponsored programs charges that have been incurred on or after the start date of the continuation award may have been temporarily charged to the prior year’s account. These should be processed as a cost transfer with an explanation that the projects are related to the same award.
3. *Pre-award costs that are specifically authorized in writing by the sponsor* – A University program or appropriate unit may, at its own risk, incur obligations and expenditures to cover costs prior to the beginning date of an award if the following criteria are met: a) costs incurred are considered necessary for the conduct of the project; b) costs are allowable under the potential award; and c) sponsor’s written prior approval is obtained when required. Generally, costs incurred in excess of 90 days prior to the award date require sponsor approval. To reduce the need for cost transfers, a risk project should be established when incurring pre-award costs.
4. Pertinent information is received subsequent to the date of original entry.
5. It was impractical or impossible to allocate charges at the time of the original entry.
6. An award fails to materialize and charges have been incurred on the risk project. Costs incurred subsequent to the anticipated effective date of the award will need to be transferred to a discretionary or operating account(s).
7. **Unacceptable Cost Transfers**

Cost transfers between sponsored program activities are not allowable in the following circumstances:

1. *Cost Overruns* – Unless clearly stated in the Sponsor guidelines, cost transfers to solely cover an actual or anticipated overrun are not allowable. Overruns must be transferred to a discretionary or operating account(s).
2. *Unexpended Balances* – For sponsored projects, retroactive cost transfers for the purpose of expending available funds still remaining on a project are not allowable.
3. *Report Rendered* – If the final financial report has been submitted to the sponsor, a cost transfer to a sponsored project will not be processed. A cost transfer from a sponsored project to correct an error will be processed and may require a revised financial report. If the cost transfer involves salary, it may require a recertification of the time and effort.
4. Other unacceptable purposes for retroactive cost transfers include circumventing award restrictions, avoiding a cost overrun by charging another unrelated project or transferring an expense to/from an award that has been closed.
5. **Timelines**

All payroll and Other Than Personnel Services (OTPS; non-payroll) cost transfers related to sponsored programs’ awards should be submitted within the earlier of the following:

i) 90 days from the original date the transaction was posted in the University’s general ledger, or ii) within the reporting deadlines prescribed by the sponsor of the project terminating.

If a transfer is required after the 90-day period, more stringent guidelines must be met to satisfy sponsor regulations. Examples include, but are not limited to, the delays in award notification or the PI's departure from the University, absence due to sabbatical leave, or other identified reasons. Generally, Sponsored Programs Administration (SPA) will not process a cost transfer submitted more than 90 days after the end of the sponsored programs (grants, contracts, and cooperative agreements) year in which the original transaction was posted to the University’s general ledger.

A pattern of frequent cost transfers will be subject to the following additional review:

1. *90-day Window: Retroactive Payroll Adjustments.*  
   Retroactive payroll adjustments within the current University fiscal year (July 1 – June 30) should be processed in the Grants Accounting Office. Payroll adjustments relating to a payroll period prior to September must be processed by completing a request. For requests, the 90-day window is calculated based on the first pay date corresponding to the adjustment period and the date the request is submitted.
2. *90-day Window: Other Than Personnel Services (OTPS).*  
   OTPS cost transfers require a journal entry to be submitted. The 90-day window for OTPS charges is calculated by reference to the date the original transaction was posted in the University’s general ledger and the date the entry was submitted.
3. **Documentation and Explanation**

All cost transfers must include a detailed explanation and justification (e.g., rationale for allocation among projects) for the transfer. If a transfer is to correct an error, an explanation that merely states that the transfer was made to “correct an error” is not sufficient.

The cost transfer explanations must answer the following questions (if transfer is made within 90 calendar days from when the original transaction was posted in the University’s general ledger. Answer questions 1 and 2 - if over 90 days. Otherwise, answer all 4 questions):

1. Why was the expense originally charged to the account from which it is now being transferred?
2. Why should this charge be transferred to the proposed receiving account?
3. Why is the cost transfer being requested more than 90 calendar days from when the original transaction was posted in the University’s general ledger?
4. What action will be taken to eliminate the future need for cost transfers of this type? Is this action being taken?
5. **Authorization and Approval**

The PI or designee must submit the action (retroactive adjustment) to their appropriate units for appropriate authorization and approval actions. The order of the process includes the following: direct supervisor, Office of Research & Sponsored Programs (ORSP), Provost/Dean of Faculty (for Faculty) or Vice President of Student Success (for staff), and finally to Fiscal Affairs/Finance & Administration for final actions. Entries with appropriate explanations for OTPS transfers must be submitted in accordance with the guidelines outlined below. The appropriate University program unit/department must maintain documentation (e.g., memos or e-mails) to provide evidence that the PI directly approved any cost transfer between closely related projects. However, the cost transfer may be submitted by the PI or his/her designee. The PI is ultimately responsible to ensure that all costs transferred are for appropriate purposes and in accordance with sponsor guidelines and award documents.

A pattern of frequent cost transfers will be subject to the following review:

***Within the 90-Day Window***

All transfers requested within 90 days of the original transaction date must be submitted by either the PI or his/her designee, e.g., departmental Administrative Assistant or Secretary.

***Greater Than the 90-Day Window***

All transfers requested over 90 days from the original transaction date must be approved by Lincoln’s Chief Fiscal Officer/Vice President of Finance & Administration of his/her designee.

1. **Roles and Responsibilities**

*Principal Investigator* *(PI)* and/or Program Director/Project Director. The PI has a fiduciary responsibility for the management and administration of the sponsored project in accordance with sponsor and University guidelines and therefore must approve all cost transfers.

*Departmental Administrative Assistant/Secretary (DAA), or designee).* The DAA assists the PI in the financial and administrative management of sponsored projects, including processing of cost transfers. The DAA; in conjunction with the PI, are responsible for completing timely reconciliations between the University’s general ledger and underlying details i.e., Salary Expense Report and departmental records. The DAA must ensure that all financial activity is properly recorded in the University’s financial system, which is the source for all financial reporting; the DAA is responsible for ensuring all approved cost transfers are completed accurately and on time. Once approved by the PI, all document must be submitted to the Office of Research & Sponsored Programs (ORSP) for appropriate post-award administration of the funds.

*Chief Research & Sponsored Programs Officer (CRSPO).* The CRSPO reviews all approved submissions by the PI to ensure appropriate alignments with pre-approved line item budgets. Once approved, he/she forward to the Provost/Dean of Faculty (for faculty investigators) or to the Vice President of Student Success (for staff investigators or program Director) or their designee for appropriate action.

Provost/Dean of Faculty or Vice President of Student Success. These cabinet-level administrators review the CRSPO-approved documents for additional oversight responsibilities. Once approved, he/she forward the document to the Chief Fiscal Officer for appropriate and final actions.

*Chief Fiscal Officer (CFO)/Vice President of Finance & Administration.*  The Fiscal Officer, or his/her designee, must approve all cost transfer requests to be posted in the University’s financial records.