



COST TRANSFER POLICY

Pepperdine University | Office of Research and Sponsored Programs

GENERAL

A cost transfer is a movement of costs associated with a transaction **between two chartstrings (CFS)**, of which at least one must be a federally sponsored project. This includes salary and non-salary costs. An exception to the definition of a cost transfer is allocating charges from an allocated or non-restricted cost object to a federally sponsored project. These actions are considered original or initially recorded charges.

This procedure does not apply to non-federally sponsored projects.

When an erroneous entry affects a federally sponsored project, the correction must be made on a timely basis and sufficient information must be provided to allow for a clear audit trail back to the initially recorded expense. The federal government regulations state, “We will assess if the transfers are supported by documentation that fully explains how errors occurred and if responsible grantee officials certify the correctness of the new charges.”

Errors in recording costs indicate the need for improvement in the accounting process and/or internal controls. When errors occur, departments are required to evaluate these areas and make the necessary improvements.

Cost Transfer Examples:

- Correcting charges **BETWEEN** federally sponsored projects **are cost transfers**. For example, if lab supplies are incorrectly charged to 20XSNSF14BLEACH and are moved to the correct federally sponsored project 20XSNIH12BLEACH.
- Correcting charges **FROM** federally sponsored projects **TO** another CFS **are cost transfers**. For example, if meeting expenses are erroneously charged to 20XSNSF14BLEACH and later moved to a departmental operating fund.
- Correcting charges **TO** federally sponsored projects **FROM** another CFS **are cost transfers**. For example, if meeting expenses are erroneously charged to a departmental operating fund and later moved to federally sponsored project 20XSNIH12BLEACH.

A cost transfer from one sponsored project to another may 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.

RSP monitors monthly cost transfers covered by this procedure for compliance. RSP will coordinate corrective action.



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TIMELINESS

A cost transfer should be processed promptly after the error is discovered. Untimely cost transfers may raise serious questions concerning the propriety of the cost transfer and may be subject to a cost disallowance.

A cost transfer is considered “untimely” when it is not processed within 90 days from month end in which the original transaction appears on the account. Violations of the deadline do not necessarily mean that the related expenditure is unallowable from a regulatory perspective. RSP will review untimely cost transfers for allowability.

Cost transfer documentation and timeliness of corrections involving federally sponsored projects are the responsibility of the department. When errors occur, departments are required to evaluate the charges and make the necessary corrections in accordance with applicable University policies and procedures.

Deadlines associated with the submission of cost transfers are as follows:

Timeframe	Approval
< 90 days from month end in which the original transaction appears on the account	Principal Investigator and Major Area Budget Manager’s approval required
> 90 days from month end in which the original transaction appears on the account	Principal Investigator, Major Area Budget Manager, and Dean’s approval required
> 6 months	Unallowable to federal sponsors (Must be charged to institutional funds) (Exceptions require Vice Provost approval)

In all cases, an unallowable expenditure must be removed from a federally sponsored project regardless of timeframe.

SPECIAL GUIDANCE

Per the [US Department of Health and Human Services \(DHHS\)](#) (pdf): "Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO."

This includes, but is not limited to the following Grantors:

- Administration for Children and Families
- Agency for Health Care Policy and Research
- Centers for Disease Control and Prevention
- Substance Abuse and Mental Health Services Administration
- Health Resources and Services Administration
- Food and Drug Administration



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Per NIH, cost transfers are considered to be untimely if they are greater than 90 days from the discovery of the error.

*Permissible cost transfers should be made promptly after the error occurs but **no later than 90 days following occurrence unless a longer period is approved in advance by the GMO [grants management officer]**. The transfer must be supported by documentation, pursuant to 45 CFR 74.53 or 92.42, that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible official of the recipient, subrecipient, or contractor. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. This information need not be submitted to the GMO but is subject to audit. If the transfer affects a previously submitted FSR [financial status report], a revised FSR must be submitted.*

Although Pepperdine University has established a formal policy regarding sequenced approvals for cost transfers, please note: if the error is discovered on an NIH award, AND the cost transfer occurs > 90 days from that discovery, the cost transfer is deemed to be unallowable.

DOCUMENTATION

A cost transfer is documented by completing a Cost Transfer Justification Form.

All cost transfer requests (both salary and non-salary) are completed by using a Cost Transfer Justification Form. The preparer will complete and sign the top section, and then will list all CFS information necessary to complete the transfer.

For transfers occurring less than 90 days from month end in which the original transaction appears on the account, questions 1, 2, and 3 are to be answered. For transfers occurring greater than 90 days from month end in which the original transaction appears on the account, all questions (1 through 5) must be answered to provide a clear audit trail. The justification must include how the error occurred or, if no error occurred, a reason for the delay in processing the cost transfer. Copies of source documentation can be attached to the COST TRANSFER JUSTIFICATION FORM.

For the transfer of multiple line-items in one transaction involving the same projects, detail is to be provided on the second page of the COST TRANSFER JUSTIFICATION FORM.

The form will then be signed by the Principal Investigator, Major Area Budget Manager, and if transfer is made later than 90 days from month end in which the original transaction appears on the account, the school's Dean. It is then to be sent to RSP where, if approved, it will be signed by the Sponsored Project Accountant and Compliance Attorney. At that point, the corresponding journal entries will be coordinated and made by the Sponsored Projects Accountant.