

University of Maine
Office of Research Administration
Guidance for Cost Transfer Requests involving Sponsored Projects

The following information applies only to cost transfer requests involving sponsored projects. Once you have become familiar with this guidance, please see the additional instructions on how to complete the [Cost Adjustment \(CA\) Form](#) and [Labor Distribution Adjustment \(LDA\) Form](#).

- I. PURPOSE**
- II. PROCESS FUNDAMENTALS**
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I. PURPOSE

As a companion to the [University of Maine Administrative Practice Letter Section VIII-K: Cost Transfers](#), this guidance is issued to: (1) assure the integrity of the University's charges for salaries, wages, goods, and services on sponsored projects transferred to and/or from a sponsored project after an initial charge elsewhere in the University's accounting system; and (2) ensure compliance with sponsor terms and conditions, regulations, and University policies.

II. PROCESS FUNDAMENTALS

- A. **Definition:** A cost transfer is the reassignment of an expense to (or from) a sponsored project after the expense was initially charged to another sponsored project or non-sponsored project. Cost transfers include reassignments of salary, wages, and other direct costs. Cost transfers do NOT include adjustments to employee benefits or F&A account codes as these are automatically generated by the system.
- B. **Reasons a Cost Transfer Might Become Necessary:**
 - 1. When the required monthly review and reconciliation of the project budget reveals a legitimate charging error in which case the PI (or designated project manager) takes immediate action to resolve the error; or in the case the error is detected by a project manager, s/he promptly notifies the PI of the error;
 - 2. To redistribute expenses among accounts paying for a common activity;
 - 3. To transfer pre-award costs in accordance with the provisions of [2 CFR Part 215.11 Subpart B – Pre-Award Requirements](#), or
 - 4. To remove cost overruns to an unrestricted or cost-shared account (processed when expenditures on a project exceed the project budget).
- C. **Preparing to do a Cost Transfer – CA (Cost Adjustments) and LDA (Labor Distribution Adjustments):**
 - 1. The preparer will review the supporting documentation and ask the following questions with respect to the award to which the cost will be transferred. The answers to all of these questions **must be YES** for ORA to approve the project adjustment request:
 - a. Is the cost:
 - i. *allowable* under [2 CFR 200.403 – Factors affecting allowability of costs](#) and/or the terms and conditions of the award and University policy? (see [Allowable Costs Flowchart](#))

- ii. *reasonable* and necessary? ([2 CFR 200.404 – Reasonable costs](#))
 - iii. *allocable* to the account that will now be charged? ([2 CFR 200.405 – Allocable costs](#))
 - iv. *consistent* in relation to how the University treats similar costs?
 - v. based on a *justification* that is complete and explains in detail:
 - how the charging error originally occurred;
 - how the error was discovered;
 - how the cost benefits the award to which the cost is being transferred; and
 - how the error will not occur in future?
 - vi. *within the award period*, or within the pre-award period, if applicable?
- b. Are there sufficient funds to cover the transfer?
 - c. Is the person signing for each chartfield transaction listed as the GL Attributes manager of that account?
 - d. Is the request supported with copies of proper documentation explaining what the expense is? (GL Inquiry Detail may be all that can be provided for some type of expenditures but others require more documentation)
2. The preparer should then ask the following additional questions. The answers to all of these questions **must be NO** for ORA to approve the project adjustment request:
- a. Is the cost identified in the cost transfer request
 - i. more than 90 days from the month-end of original posting date of the transaction?
 - ii. intended to be used to cover an apparent cost overrun on another award?
 - b. Is the project that is being charged in its final months of the award period and being charged simply to spend out the balance?

III. FORMS & DOCUMENTATION

A. Which Form(s) Should Be Used?

- 1. Adjustments to labor costs (salaries & wages) are prepared on an LDA form while all non-labor costs are prepared on a CA form. Please familiarize yourself with the [CA instructions](#) and [LDA instructions](#) to properly complete the forms.
 - a. An **Extenuating Circumstance Form (ECF)** is required for cost transfer requests submitted to ORA after 90 days from the month-end of the original transaction's posting date.

B. What Kind of Documentation Should Be Included?

- 1. **GL Inquiry:** Cost transfer requests sent to ORA for processing requires access to PeopleSoft Financials General Ledger (GL). This is required to provide backup support to the cost transfer transactions submitted. Each transaction submitted must have the appropriate GL Inquiry provided. Once you are in the GL Inquiry for your account, you can obtain appropriate backup per type of cost transfer:
 - a. **Journal Details:** CA's require the "Journal Details" view of the transactions being transferred. In GL, find the expense to be transferred under the "current month" column and click into it. The "Journal Details" page will appear which is needed for CA's (print the screen – do not use the report version as not necessary all information is carried into the report).
 - b. **Payroll Journal Details:** LDA's require the "Payroll Journal Details" view of the transactions being transferred. This is one additional click from the Journal Details described above for CA's. Click into the amount on the Journal Details screen to get to "Payroll Journal Details" page, which is needed for LDA's (print the screen – do not use the report version as not all necessary information is carried into the report).

2. **Time and Effort Report:** If the cost transfer request is an LDA, for which the employee's payroll transaction being transferred falls within a time period for which they have already certified their Time and Effort for, then the certified Time and Effort Report needs to be revised to reflect the LDA.
3. **Payroll/HR Forms/Other External Department:** If the cost transfer request is due to a Payroll or HR Form not being submitted with correct information, or if the information submitted on the form is not what was entered by Payroll or HR, then the submitted form should be included with the cost transfer request to support the cost transfer request. The same applies for any other kind of form submitted to an external department that was submitted or entered incorrectly.
4. **Participant Support Costs (PSC):** If the cost transfer request is transferring costs to a PSC account code or to a PSC project account, then documentation must be provided to support that the expenses are truly PSC costs. This should include a list of the participants, what activity the expenses were for, etc.
5. **Shared Project Costs:** If the cost transfer request is to divide an expense among projects that all receive benefit from the expense being divided, then the calculation for allocation methodology used needs be provided with the request (how was it decided how much of the expense each project should receive).

IV. TIMELINESS

- A. **Monthly Reconciliations** should be performed regularly in order to ensure that cost transfer requests are received in a timely manner. In an effort to ensure that sponsors are not inappropriately charged or invoiced for expenses that do not benefit or belong on a University of Maine sponsored project, it is imperative that all improper charges be removed from the project within a reasonable time period after the error has been detected.
 1. **Over 60 Days:** If a cost transfer is submitted to ORA after 60 days from the month-end of the original transaction's posting date, the Justification for Lateness section needs to be completed on the cost transfer request form.
 2. **Over 90 Days:** If a cost transfer is submitted to ORA after 90 days from the month-end of the original transaction's posting date, a fully completed and signed ECF is required to accompany the cost transfer request.
- B. **If a cost transfer request is denied**, the preparer must address the deficiencies and resubmit the request **within 14 days**. After 14 days the cost transfer request may become void and may need to be re-submitted as a new request. Failure to resubmit the request within the specified time-frame, or failure to meet ORA's approval on the resubmission, **MAY RESULT IN ORA MOVING THE SUBJECT EXPENSES(S) TO THE PROJECT CLOSING ACCOUNT**, if the expenses were originally charged to a sponsored project account.