Managing Cost Transfers

Tammy Hudson
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Cost Transfers

- Definition: transfer of cost from one institutional account to another
- Cost transfers can occur between two sponsored accounts, from a non-sponsored account to a sponsored account, from a sponsored account to a non-sponsored account, or between two non-sponsored accounts
Why are Cost Transfers Problematic?

- A cost that is originally placed on an account is certified for allowability, allocability and direct benefit to a particular project
- A cost transfer invalidates that original certification
YouTube Video by Brian Squilla

- http://www.youtube.com/watch?v=HeIFBuPtv5E
What makes the Problem Worse?

- Inadequate explanation/justification for cost transfer (e.g., “to correct error”)
- Transfers between two Federal projects that clears a deficit off one of the projects
- Salary transfers after Effort Certification
- Late!
Cost Transfers

- Late (continued)
  - **HHS Grant Policy Statement re Cost Transfers:**
    Generally unallowable but may be necessary to correct 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.”

- UA policy requires that all cost transfers be accomplished in a timely manner and be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge
  
  [http://osp.ua.edu/Cost%20Transfer%20Policy%20r2.pdf](http://osp.ua.edu/Cost%20Transfer%20Policy%20r2.pdf)
Cost Transfers

Intense Federal audit scrutiny in this area

02/03/06 - Audit of Yale University, a subawardee of the University of Massachusetts Medical School

Among other issues, Cost transfers – insufficient documentation, email said transfer made to spend down funds, altered document given to auditors
What can we do? We know there is only so much you can do if the PI is not responsive or gives conflicting information.

- **Minimize Cost Transfers**
  - Take time to get all info to begin with and charge correctly from the start saving time and paper
- **Get necessary transfers done ASAP**

**How?**

- **Review expenditures through the life of the project**
  - Use Banner
  - Research Dashboard – encourage PIs to use it
  - Eprint (however Banner and Dashboard is considered “live” data)
- **Communicate with PI and others (e.g. C&GA)**
  - ASA- Advanced Spending Authorization
  - Check Cost Transfer Policy
What can we do?

- Provide adequate support for necessary transfers
  - Include original documentation of the charge such as MDV, travel voucher or DTA that is being corrected. (Date, Amount fund that the original charge hit)

How?

- Answer the questions on the Cost Transfer Request Form including complete explanations for:
  - How it got charged to the wrong place
  - Why it really belongs where you are moving it
  - What controls are in place (or will be) to minimize reoccurrence
  - If late, why did it take 90 days or more to discover and correct
Examples:

Good or Bad or both?

- This charge is being moved off of a grant because it is not applicable to the grant. Other work priorities caused the delay in preparing the paperwork necessary for this transfer.
Examples:

Good or Bad or both?

- Jane Student’s salary was originally funded from Dr. Meanswell’s startup. Dr. Meanswell made a request in January 2011 to have Jane’s salary switched to GR12345 because Jane would be working on this project. The request was never processed. We now have a file with a listing of PA information so that we can easily review and avoid errors such as this going forward.
Examples:

Think of how it will sound to an auditor!

- Explanations aren’t just about convincing C&GA. C&GA has to be able to show the auditors, “This is what we were told and it makes sense.”
YouTube Video by David Mayo

- http://youtu.be/HaIOpnqwMWg
Questions?

Thank you!