

Managing Cost Transfers

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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

NCURA YouTube Video on Cost Transfers

David Mayo, California Institute of Technology

<http://www.youtube.com/user/NCURA1959#p/u/5/HaIOpnqwMWg>

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

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>

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?

- **Minimize Cost Transfers**
- **Get necessary transfers done ASAP**

How?

- **Review expenditures through the life of the project**
- **Communicate with PI and others (e.g. C&GA)**

What can we do?

- **Provide adequate support for necessary transfers**

How?

- **Answer the questions on the Cost Transfer Request Form including complete explanations for:**
 - How it got charged to the wrong place to start with
 - Why it really belongs where your 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?

- **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?

- **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."**

Questions?

Thank you!