

Cost Transfers

Evaluating Your Current Procedures to
Mitigate Risk

Faculty



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Participant Poll

Which best describes your position at your institution?

- Departmental
- Central Pre-Award
- Central Post-Award
- Compliance/Audit
- All of the above
- Other

Participant Poll

How many years of experience do you have in research administration?

- less than 1 year
- 1-3 years
- 3-7 years
- 7-10 years
- I stopped counting after 10 years

Learning Objectives

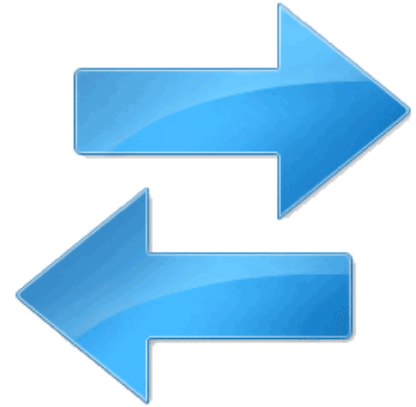
- Key definitions
- Applicable guidance
- Audit concerns
- Audit findings
- Effectively managing risk
- Illustrative examples



KEY DEFINITIONS

What is a cost transfer?

- A cost transfer is an after-the-fact reallocation of a cost between two projects
 - Salary Cost Transfers
 - Non-Salary Cost Transfers



Take Note! Definitions vary across institutions!

APPLICABLE GUIDANCE

Uniform Guidance §200.405

- All charges must be reasonable, allocable, and allowable
- Any cost allocable to a particular Federal award under the principles provided for in this Part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons
- Emphasis on Internal Controls

Reasonable

- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- Is the cost necessary for the overall operation of the University or performance of the award?
- Are the costs incurred consistent with University policies and procedures?

Allocable

- A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefit received.
- Can the University show how the cost relates to the award?
- Did the University document how the charge was calculated if it benefits more than one award?

Allowable

- A cost is allowable if it is necessary and reasonable for the performance of the Federal award and allocable thereto under these principles.
- Are there any limitations or exclusions listed in the award, guidance, or University policy?
- Are these types of costs consistently treated across all awards?
- Is the justification for costs adequately documented?

NIH Grants Policy Statement

- Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of bookkeeping errors should be accomplished within 90 days of when the error was discovered
- The 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 reasonable organizational official of the grantee, consortium participant, or contractor
- 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

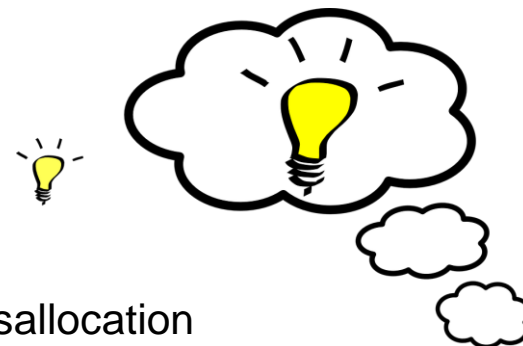
The Basic Idea

- It is assumed that costs are charged appropriately at the time incurred and that significant adjustments should not be required if adequate financial management practices and policies exist.
- Costs should be allowable, reasonable, allocable, treated consistently and with supporting documentation.
- In addition, University policy must be followed.

- ❖ There should be adequate systems and monitoring procedures in place to be able to detect errors in a reasonable time.
- ❖ Frequent errors may indicate need for accounting system improvements and/or enhanced internal controls.

AUDIT CONCERNS

Be Mindful



- The federal government:
 - Scrutinizes cost transfers closely for indications of cost misallocation
 - Often disallows costs transferred on to federal accounts on the basis of misallocation, or because of non-compliance with timing, documentation, and procedural requirements
- **Cost transfers should NOT be a tool for managing sponsored awards.**
- Cost transfers onto sponsored projects may not be done:
 - To correct deficiencies caused by overruns or other funding considerations.
 - To avoid restrictions imposed by law or by terms of the Sponsored Project.
 - For other reasons of convenience.
- At no time should sponsored projects be used to “park” charges which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or the new project has not been received.
- Institutions have a responsibility to use funds in accordance with applicable law and sponsor terms and conditions.

Red Flags/Concerns

- Cost transfers between sponsored projects
- Transfers occurring over 90 days from the original charge
- Large volume of cost transfers
 - Overall for University
 - By Department?
 - By PI?
- Timing
 - Near the end of the award/budget period?
 - Near the end of the fiscal year?
- Justifications
- Transfers on effort already certified



AUDIT FINDINGS

Audit Findings

- **Stanford University** – cost transfer due to overrun
- **University of California, Santa Barbara** – cost transfer made 6 months after award expired, approximately \$500,000 of inappropriate cost transfer
- **UNC Chapel Hill** - did not comply with University policies and procedures for adequately documenting cost transfers
- **University of Nevada, Reno** - cost transfers without adequate justification, cost transfers processed during last month of grant
- **Yale University** – late funding resulted in cost transfers but the required documentation justifying and certifying the charge was missing
- **University of Chicago** – extensive policies and procedures were in place but not followed as required for documentation and certification
- **University of Massachusetts** – transfers not done timely and with inadequate justification
- **Florida International University** – transfers with incomplete documentation, grants used as clearing accounts transfers after grant closed resulted in a \$11.5 million settlement

EFFECTIVELY MANAGING RISK

How to Effectively Manage Risk

- Document Policies and Procedures
- Internal Controls
- Training and Awareness at the Central & Departmental levels
- Setting up advance accounts
- Minimize (to the best of your ability) late project set -up

Participant Poll

Does your Institution apply your cost transfer policy across all project types or only federal?

- All Sponsored Projects
- Only Federal Projects

Key Policy Decisions

- Define cost transfers
- What population to include in the policy?
 - Only federal?
 - All sponsored projects?
- System or manual?
- Who should review cost transfers?
- Timing?
- What documentation should be required?

Comparison of Policies



Columbia



Rutgers



Harvard

Population

All Sponsored Projects: Federal, Private & Industry Clinical Trials

All Sponsored Projects: Federal, State, Foundations, Industry, & Clinical Trials

Debits to a federal award with original transactions over \$1,000.

Processing

In Peoplesoft, appropriate module (Payroll, AP, General Journal Entry)

Under 90 days - Journal Entry or Payroll redistribution electronically
Over 90 days - Electronic SWRJ & Late Cost Transfer forms approved & processed by Central Post Award.

Manual. Complete and merge forms and supporting documentation into PDF. Email and sign PDF.

Timing

Must be submitted within 90 days from the end of the month of the original charge. Exceptions only in extenuating circumstances

Should be made within 90 calendar days of the GL posting date of the original transaction. Any transfer made after this period is considered "late". Late cost transfers are only acceptable under very specific circumstances.

90 days starts from the 15th of the following month based on original transaction date. Over 90 days must meet certain criteria for approval

Comparison of Policies (cont'd)



Columbia

Training

All those who have ability to create cost transfers must be trained. Additional training required for those who process salary cost transfers.

Review

>90 days requires additional approval from Central Finance



Rutgers

Topic in internal research administration training course program. Reminders of best practices, incl. regular reconciliations discussed at monthly RA meetings.

Under 90 days - Journal entry or payroll redistribution electronically by dept
Over 90 days - Electronic SWRJ & Late Cost Transfer forms approved & processed by Central Post Award.



Harvard

Recommended: Intro to Cost Transfers, self-paced course online. For approvers, Intro to Cost Transfers and Cost Transfer Level II training is required.

Under 90 day cost transfers require 1 level of review, while over 90 required 2 levels.

Comparison of Policies (cont'd)



Columbia



Rutgers



Harvard

Documentation

-Salary Cost Transfers: Created Appendixes, Justification in Peoplesoft, Required Responses
-Non Salary Cost Transfers: supporting memos, copy of original transaction

Salary Cost Transfers & Justification directly in PeopleSoft. Late Salary Cost Transfers (after 90 days) via cost transfer portal, with justification and supporting documentation. Late non-salary transfers also in separate portal for approval in which justification and support is required.

Cost transfer form, draft adjustment, original transaction detail, supporting documentation to evidence cost is allowable, allocable and reasonable, and justification for timing/lack of timeliness in processing adjustment.

Extenuating Circumstances

Delay in set-up/ extension of award by sponsor

Extenuating circumstances include delay in award setups, particularly due to central research office

Delay in award set-up, sponsor dictates need, failure of another department, debit to correct a credit.

Internal Controls

- Systematic routing controls
- Regular reconciliation and review of grant accounts by department
- Review of cost transfer documentation outside the managing department/center
- Organizational awareness of patterns of late/unallowable cost transfer requests from specific areas

Internal Controls – Columbia

- Quarterly sign off on all expenses
- Trainings/Forums
- Salary:
 - Salary distributions: reminders when processing that distributions must be approved
 - Cost transfers-confirm that the new charge is accurate and reflects the work performed for that employee in addition to including a statement on the requirement to maintain documentation.
 - Required fields in Peoplesoft (date of discussion, PI approval, location of documentation)
 - Routing of all over 90 day cost transfers to Central Finance
 - Required Templates
 - Quarterly review of selections of cost transfers for documentation meeting requirements
- Non-Salary:
 - Standard form indicating reason for transfer
 - All routed to Sponsored Projects Finance for review and approval

Internal Controls - Rutgers

- **Training opportunities year-round**
- **Policy**
 - Governance that prohibits cost transfers on closed periods, particularly on certified effort reports.
 - Proposed changes to include no late cost transfers (90 days) after the project end date.
- **Salary:**
 - Confirm that the new charge is accurate and reflects the work performed for that employee in addition to including a statement on the requirement to maintain documentation
 - Routing of all 90+ day cost transfers to Research Financial Services
 - Required Templates & Forms
 - Quarterly review cost transfer metrics for compliance requirements & monitoring
- **Non-Salary:**
 - Standard form indicating reason for transfer
 - All 90+ day transfers routed to Research Financial Services for review and approval

Internal Controls - Harvard

- Intro to Cost Transfer training available as self-paced, online course
- Advanced training for approvers
- Preparer and approver checklist with reminders for VJF, debarment, and compliance with other university policies.
- Monitoring of transactions that may have needed cost transfer approval
- Policy overlap/integration: Certified effort statements woven into Cost Transfer Policy
- Approvals for over 90 day cost transfers are outside of local unit.

Supporting Documentation

- Documentation should include:
 - Clear explanation of why/how the error occurred
 - Describe the benefit of the project to be charged
 - If over 90 days-steps to prevent reoccurrence
- Documentation should be:
 - Clear
 - Concise
 - Complete
 - Accurate
 - Timely



Supporting Documentation (cont'd)

- Documentation should be stored in a shared location so that it can be easily accessed by all.
- Follow your institutional process for document retention.
- Unsupported documentation could result in costs being disallowed.

Adequate Documentation

- The justification and supporting documentation include complete and transparent information about the transaction, to include:
 - **WHO** is requesting the transaction (PI)?
 - **WHAT** is the transaction for?
 - **WHERE** did the activity take place (if applicable)?
 - **WHEN** did the activity take place (if applicable)?
 - **WHY** is the transaction being completed and how does it relate to or benefit the project?



Unacceptable Justifications

- To eliminate cost overruns
- To spend down unused funds
- For reasons of convenience
- For reasons that do not comply with sponsor regulations or award guidelines

ILLUSTRATIVE EXAMPLES

Participant Poll

Which of the following would you approve? (Select all that apply)

	Original Entry	CT Date	From Proj	To Proj	Amount	Justification
A	1/1/23	5/4/23	GOVT	GOVT	\$500	To reflect actual effort
B	1/1/23	5/4/23	GOVT	GOVT	\$1000	To charge project that was set up late
C	1/1/23	5/4/23	UNRST	GOVT	\$1500	To charge Jane's salary to project that was set up late. Notification received 2/15/23. Approved by PI Smith
D	1/1/23	5/4/23	UNRST	GOVT	\$2000	To transfer cost of publication for conference February 1 st to appropriate project.
E	None of the above					

Participant Poll

Which of the following would you approve? (Select all that apply)

	Original Entry	CT Date	From Proj	To Proj	Amount	Justification
A	9/1/22	2/15/23	GOVT	GOVT	\$150	These charges should be on GG1234. We had no administrator in the department overseeing.
B	9/15/22	1/6/23	GOVT	GOVT	\$2500	Salary distribution was processed for this time period. However, it appears there was an error in the system and the salary distribution was not processed according to the distribution entered.
C	12/1/22	4/15/23	UNRST	PRIV	\$4000	To transfer Joe's salary to PG due to administrative oversight. He was hired solely to work on this project
D	10/15/22	3/1/23	PRIV	GOVT	\$2000	PG and GG are for the same research project by PI. PG was overcharged because it was thought the funds were going to the project and it is now in overrun.
E	None of the above					

Participant Poll

Which of the following would you approve? (Select all that apply)

	Original Entry	CT Date	From Proj	To Proj	Amount	Justification
A	2/1/23	5/29/23	GOVT	GOVT	\$3000	During our Q3 review, PI noted that John's salary was allocated to the incorrect project. PI requested to transfer to align with effort.
B	1/1/23	4/15/23	GOVT	GOVT	\$6200	Supplies allocated to incorrect project.
C	9/15/22	5/1/23	UNRST	PRIV	\$850	AV charges are an approved cost to this project. Noticed these were missing from project during closeout.
D	7/15/22	5/15/23	PRIV	GOVT	\$2800	GOVT project was not set up until 5/13/23. 25% of effort for the period should be allocated to this project as confirmed by PI on 5/14/23.
E	None of the above					

QUESTIONS



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