Cost Transfers

INTRODUCTION

A cost transfer is a reassignment (transfer) of charges to or from a sponsored project after the expense was initially charged to another sponsored or non-sponsored project. When cost transfers to move expenses involve sponsored projects, it is critical that the transfer meet the rules for allowability, allocability, reasonableness, and consistency.

WHEN ARE COST TRANSFERS ALLOWED?

Cost transfers involving sponsored projects are allowed only in special circumstances, including: error correction, costs benefiting more than one sponsored project, or transfer of retroactive expenses (including pre-award costs) on a project necessitated by a late award notice.

Any time you initiate a transfer, you invite the assumption that the initial transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.

If a project has an overrun, there is a presumption that any proposed cost transfer is to alleviate the overrun, and it would not be allowed to another sponsored account.

CRITERIA FOR COST TRANSFERS

Cost transfers must be:

1. **In conformance with Institute and sponsor policies**— allowable, allocable, reasonable, and consistent.
2. **Timely**
   - Cost transfers should be prepared and submitted as soon as the need for a transfer is identified, but no later than 90 days after the posting is made and/or within 30 days of the project end date
   - Cost transfers exceeding this time frame will require additional documentation as to why the transfer request was not made on a timely basis
3. **Fully Documented**

Cost transfers must contain a justification that clearly shows:

- Benefit to the receiving project
- Allowability and allocability to the new sponsored project
- Reason for transfer
• Systemic causes are corrected so they will not recur.
• The reason for any delay in the timely processing of the transfer if the transfer date exceeds the definition of timely, above.
• It was reviewed by a knowledgeable person such as the PI.

A good justification will allow anyone reviewing the cost transfer to understand how the expense benefits the receiving sponsored project. It should answer: who, what, where, when, and why? It should be easily understood by anyone reviewing the journal voucher (think: “If I leave, will an auditor be able to understand this two years from now?”). It may include documentation to support the justification. Some examples of documentation are:

• Allocation methodology
• An invoice or packing slip
• Notes on an expenditure statement

IN SUMMARY

• Any time a transfer is initiated, the assumption is that the transaction was not handled properly initially. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.
• Frequent and poorly documented cost transfers may indicate problems in the management of research.
• Federal auditors more closely scrutinize the allowability, allocability, and reasonableness of cost transfers.
• Federal research sponsors are giving increased attention to the reason behind cost transfers from and to sponsored projects.
• There is a significantly increased audit risk for cost transfers made beyond the approved guideline.
• Any systemic problems that might cause this problem to be repeated must be addressed.