



BEST PRACTICES

With

Cost Transfers



Presenter

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Learning Objectives

- Identify Basic Knowledge
- Identify Good Language to Write a Good Cost Transfer



Is this how life feels for you





Basics

- Federal Requirements
- Notice of Grant Award
- Institutional Responsibility



Federal Requirements: Cost Principles

- Changes to OMB Circulars
- OMB Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards
- Federal Register, Vol. 78, No. 248 December 26, 2013
- This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110 and A-22
- Circulars A-89, A-102 and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.



Federal Requirements: Cost Principles (cont.)

- Future reform efforts may eventually seek to Incorporate the Cost Principles for Hospitals in DHHS regulations. The final guidance consolidates the guidance previously into a streamlined format that aims to improve both the clarity and accessibility.
- Generally effective December 14, 2014
- Foreign institutions comply with the applicable cost principles depending on the type of organization



NOTICE OF GRANT AWARD

Award Information (Section I)

Award Dates

Budget Period

Project Period

Award Payment (Section II)

Institute and/or Center Specific term

Funds in the Payment Management System



NOTICE OF GRANT AWARD (Cont.)

Terms and Conditions (Section III)

Institution receiving Award Info

Award Restrictions (Section IV)

Institute Terms and Conditions – carryover, etc.

Application to a particular grant

Key personnel

Restricted funds must be tracked by grantee to ensure

Compliance – IRB, IACUC, IBC (airborne particles)

Prior Approval Conditions

Various Government Contacts



Monitoring Expenses

- How often
- Budget (Notice of Award) and terms & conditions compared
- Accuracy, reasonableness, allocable, allowable and consistently charged



Monitoring (cont.)

- Prior approvals are obtained when required
- **Subrecipient** expenses are monitored –
(Grantee's responsibility to monitor expenses)

***Expenses that do not meet the
above could result in cost transfer***



REASONABLE

- nature of the goods or services
- acquired or applied
- reflect the action
- prudent person would have taken
- circumstances prevailing
- time the decision to incur the cost was made



ALLOCABLE

- incurred solely to advance work under the grant
- benefits both the grant and other work of the institution
- proportions that can be approximated through use of reasonable methods
- is necessary to the overall operation of the institution
- is deemed to be assignable in part to the grant



ALLOWABLE

- limitations and exclusions
- terms and conditions of award
- cost principles
 - varies by type of activity, type of recipient
 - other characteristics of individual awards.



CONSISTENT APPLICATION

- assigning costs to cost objectives
- may be charged as either direct costs or F&A costs
- depending on identifiable benefit to a particular project or program
- treated consistently for all work of the organization under similar circumstances
- Consistently allocate shared costs across research projects



Cost Transfer: Needed when

- DOES NOT MEET THE CRITERIA ESTABLISHED ABOVE.
- DOES NOT MEET THE TERMS AND CONDITIONS OF THE NoA and federal regulations
- Cost Types: errors in transcription, payroll/effort, non-payroll (supplies, computers, etc.), retroactive costs due to any delay



COST TRANSFER: Best Practices

- Document, document, document...everything
- Related to project
- Explanation/justification
- Cost overruns are moved to a non-federal grant



Federal Guideline

- Within 90 days after expense posts or
- Within 30 days of project end which ever comes first
- Over 90 days
 - shows lack of internal controls
 - may require additional documentation



Institutional Policy

- 60/90 days from the time error was discovered

Over 90 day transactions:

All cost transfers affecting sponsor projects >90 days will require additional information

The institution may reject the Cost Transfer

- Consistency in Rejections



Institutional policy (cont.)

- What are allowable circumstances?
 - Payroll allocations
 - Non payroll expense reallocation for shared costs
- Institutional Responsibilities
 - PI
 - Department
 - Institutional Sponsored Projects Accounting Compliance.
- Who processes cost transfer?
 - Department
 - Central office



Table for Assessing Cost Transfers

	Original	Error	Cost Transfer
Allowable			
Allocable			
Consistent			
Reasonable			
Benefit to the Project			



Institutional Policy (cont.)

Include in the explanation:

- Why project being charged is appropriate?
- How amount being transferred was determined?
- Why charging was not correct in original posting?

Explanation merely stating that transfer was made “to correct error” or “to transfer to correct project” is not sufficient.



Examples Audit Red Flags

- Transfers **to or between** sponsored projects
- Transfers **older than 90 days** after the original transaction
- Transfers in the **last month of the award** or after the award has expired
- **Large numbers** of cost transfers (relating to a particular department or grant)



Examples Audit Red Flags (cont.)

- **Grants or contracts:** zero balance at end of award
- Transfers **without a full explanation** and/or "cookie cutter" explanations
- Transfers among "**closely related**" projects
- **Sponsored project:** used as a holding account
- **Salary reallocation:** Time & Effort been certified and/or salary being used as match



Scenario 1

- Registration for a grad student to attend a conference.
- The charge was placed on the wrong grant.
- The PI gave an incorrect project code to the office staff at the time of the pro-card reconciliation.
- The charge was on 6/30/10, and the cost transfer was received in the research office on 7/27/10.



Scenario 2

- Supplies were purchased and charged to the PI's project.
- The grant did not have enough funds to cover the charges.



Scenario 3

- There was a miscommunication between the employee, PI, and payroll clerk that resulted in the employee's time being charged to the wrong project.
- The salary was for January, and the cost transfer was processed in February.



Scenario 4

- Researcher is awaiting a grant NoA.
- Research has reached a critical point.
- Continue the research or wait.
- Employee for the researcher continues working on the project.
- NoA comes in
- Employee turns in their time and effort certifying the time before the grant was in house.



Scenario 5

- Supplies were ordered and the wrong index was used
- Charge is over 90 days.
- Central Office denied charges



Reference Material

- OMB Circular A-21 (2 CFR Part 220) - Educational Institutions
- OMB Circular A-122 (2 CFR Part 230) – Non-Profits
- OMB Circular A-87 (2 CFR Part 225) – State/Local Governments
- 45 CFR Part 74, Appendix E – Hospitals
- 48 CFR Subpart 31.2 (FAR) – For-profits
- OMB Circular A-110 - Administrative Requirements



Reference Material (cont.)

- Research Law: An Introduction
SRA Presentation - J. Michael Slocum, JD
- “All About Costs: A Post-Award Primer”
NIH Regional Seminar Atlanta, GA April 2009
- NCURA Publication Handbook for the 2 CFR 200
- UM Forms located at:
<http://www.umt.edu/research/ORSP/forms/default.aspx#Cost>

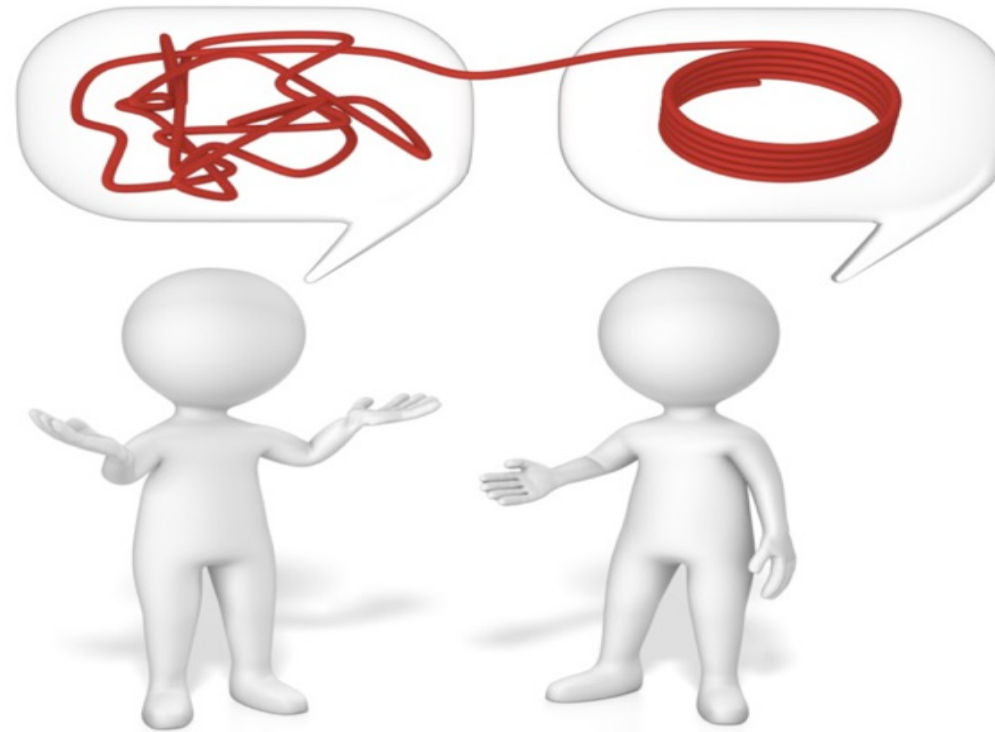
Websites

<http://www.whitehouse.gov/omb/circulars>

<http://www.gpoaccess.gov/cfr/index.html>



Communication





Questions





**THANK
YOU**