

Cost Transfers

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Cost Transfers

- A cost transfer is a movement of costs associated with a transaction **between two cost objects**, of which at least one must be a federally sponsored project.
- Must explain and justify the transfer of charges to and from federal and non-federal awards
- Defined as an after-the-fact reallocation of costs (labor or non-labor) to a sponsored award
- 2 CFR 200.405 states that "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, or for other reasons."

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Cost Transfers

- A cost transfer is NOT:
 - Transfers between categories (General Ledger Accounts within a single award is **NOT** a cost transfer;
 - Transfers between parent award and sub award, both of which are housed at your university, **ARE** cost transfers, however these transactions are not counted nor reported to federal sponsors

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Guidance on Cost Transfers

- Principles of the OMB Uniform Guidance 2 C.F.R. Parts 200 shall be applied in allocating and transferring costs in connection with all sponsored projects, both federal and non-federal.
- Specific cost transfer practices that are prohibited under this policy include, but are not limited to, the following:

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Guidance on Cost Transfers (continued)

1. Temporarily "parking" a sponsored project costs that are not allocable to that project, with the intention of transferring them later to another sponsored project.
2. Transferring costs allocable to a sponsored project to another sponsored project in order to avoid or reduce an overrun on the first sponsored project.
3. Transferring a cost from one sponsored project to another because the cost is not allowable under the sponsored project initially charged and is allowable under (but not allocable to) the sponsored project to which it is transferred.
4. Transferring an unallocable cost to a sponsored project in order to accommodate another researcher, or for reasons of convenience.

All such transfers, and all other transfers of unallocable costs to sponsored projects, are impermissible regardless of when made.

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Agency Specific Guidance

- Per the US Department of Health and Human Services (DHHS): "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 Grant Management Officer."
 - This includes, but is not limited to the following Grantors:
 - Administration for Children and Families
 - Agency for Health Care Policy and Research
 - Centers for Disease Control and Prevention
 - Substance Abuse and Mental Health Services Administration
 - Health Resources and Services Administration
 - Food and Drug Administration

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Agency Specific Guidance

- Per NIH, cost transfers are considered to be untimely if they are greater than 90 days from the discovery of the error.
- *Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or 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 responsible organizational official of the grantee, consortium participant, or contractor.*

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60 Day Cost Transfer Justification Form

In accordance with UNCW's prompt cost transfer policy, all cost transfers must be requested within 60 days of their initial occurrence and be supported by documentation that contains a complete and thorough justification for the transfer. The reason for each cost transfer must be properly and clearly explained, with the help of supporting documentation when appropriate, in order to prevent audit disallowances.

If a journal voucher or salary reallocation was not prepared and submitted prior to 60 days from the original Banner Finance entry, this form must also be used.

There is no guarantee this request will be accepted and I understand circumstances may warrant these charges being charged to departmental funds. I realize transfers made after 60 days will be considered only under extenuating circumstances.

The explanation must include the following elements:

- description of the expense(s) being transferred, including how, why and when the original charge(s) occurred, AND
- why the receiving fund number was not originally charged, AND
- why it is appropriate to charge the receiving fund number, AND
- justification for lateness (over 60 days), AND
- what is being done to prevent this from occurring again.

Attach additional pages if more space is needed.

We certify to the best of our knowledge and belief these expenditures belong on the corrected/new fund and are for appropriate purposes and in accordance with the agreement set for in the grant/contract application and award documents.

Principal Investigator/Date _____ Department chair/fiscal officer/ date _____

Sponsored Programs Director/ date _____ Grants Officer/ date _____

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Duke University Untimely Process

- Duke University has implemented a review and approval process for untimely cost transfers. A cost transfer should be processed promptly after the error is discovered. Untimely cost transfers may raise serious questions concerning the propriety of the cost transfer and may be subject to a cost disallowance.
- A cost transfer is considered "untimely" when it is not processed within three accounting periods after the initially recorded charge. Violations of the deadline do not necessarily mean that the related expenditure is unallowable from a regulatory perspective.
- Cost transfer documentation and timeliness of corrections involving federal sponsored projects are the responsibility of the department. When errors occur, departments are required to evaluate the charges and make the necessary corrections in accordance with applicable University policies and procedures.
 - Payroll: All payroll cost transfers are completed by using a Cost Distribution iForm, Supplemental Payment Form, or Non-Compensatory Awards Form. Additional documentation can be entered in the untimely justification field. Additional documentation is not required unless the cost transfer is untimely.
 - Non-Payroll: Journal Voucher (JV) Keyed in SAP by Department - Use the ZF418 tool to process non-salary cost transfers

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North Carolina Agricultural and Technical State University Cost Transfer Policy

- In certain circumstances, a charge may be posted to an incorrect fund. When this happens, a correcting journal entry is required to move the cost to the correct fund. This policy explains how the need for a cost transfer arises, the requirements of a cost transfer journal entry, and the method for processing cost transfers through the accounting systems.
- This policy is issued to assure the integrity of the University's charges for salaries, wages, goods and services on sponsored projects transferred to and/or from a sponsored project after an initial charge elsewhere in the University's accounting system. Additionally, this policy is issued to ensure compliance with sponsor terms and conditions, regulations and University policies.

Definition

- A cost transfer is a transfer of expenditure from one project to another project after the expense was initially charged to another sponsored project or non-sponsored project, inclusive of reassignments of salary, wages and other direct costs. When the project receiving the charge is a sponsored grant or contract, special rules apply as discussed later in this guide.
- In some instances, a cost transfer is unavoidable. The purpose of this cost transfer guide is to provide information to principal investigators, department administrators, project managers, departmental chairs, and deans concerning government cost transfer policies. Cost transfers should not be prepared or approved by departmental personnel if the requirements in this guide are not met.

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Duke University Untimely Process

Deadlines associated with the submission of cost transfers are as follows:

Timeframe	Approval
< 3 months	As defined by the department
> 3 months	Department Approval (may require cost-sharing)
> 6 months	Unallowable cost to federal sponsors (must be charged to institutional funds) (Exceptions require Management Center /Vice Dean/Provost approval)

In all cases, an unallowable expenditure must be removed from a federally sponsored project regardless of timeframe.

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Cost Transfers

- 2 Types of Cost Transfers
 - Payroll Cost Transfers
 - Non-Salary Cost Transfers



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Non-Salary Cost Transfer Basic Concept

- Costs should be charged to the appropriate sponsored project when first incurred.



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Timely Non-Salary Cost Transfers

- Non-salary cost transfers are considered to be “timely” if they are completed within three accounting periods after the accounting period of the initial charge
- Example:
 - Charge is made and posted in January
 - Department has three accounting periods (February, March and April) to reconcile and correct the charge
 - Grant Manager enters cost transfer and completes the process on April 30 (closing date of the accounting period) = timely cost transfer
 - Charge is made and posted in January
 - Department has three accounting periods (February, March and April) to reconcile and correct charge

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Examples of Non-Salary Cost Transfers

- Pre-award spending charged to departmental code
- Clerical errors such as typographical errors
- Delay in cost object setup, expenses charged to departmental code temporarily
- Removal of unallowable/unapproved expenses

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Unallowable Non-Salary Cost Transfers

- Transfers of expenses at end of project to spend unspent balances
- To avoid restrictions imposed by law or by the terms of sponsored agreement
- For other reasons of convenience

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What is Not a Non-Salary Cost Transfer?

- Allocation by Department for Service Center charges that can only be charged to single cost objects.
- Framework orders allowing single cost object – can be allocated by department.



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Untimely Justifications

- The justification must include:
 - Appropriate coding of error in Non-Salary Cost Transfer tool
- Untimely justification must include:
 - Statement of how the error occurred.
 - Clear statement indicating allocability/allowability of expense to the project charged.
- Some examples of acceptable justification are:
 - We received the continuation code several months ago, but the paperwork was misfiled. We recently reconciled the code and found the error.
 - Funding for a new grant was delayed. In the interim, Dr. Smith's 25% effort was charged to the department code (March through June) and now needs to be moved to the new grant code.

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Non-Salary Cost Transfer Errors

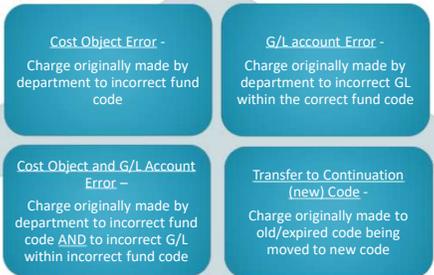
- In an effort to provide improved guidance for completing non-salary cost transfers, please use the following clarifications when selecting untimely justifications.



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Non-Salary Cost Transfer



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Why Monitor?

- Any time a transfer is initiated, the assumption is that the transaction was not handled properly initially.
- Frequent and poorly documented non-salary cost transfers may indicate problems in the management of research.
- Federal auditors scrutinize more closely the allowability, allocability and reasonableness of non-salary cost transfers.
- Federal sponsors are giving increased attention to the reason behind cost transfers from and to sponsored projects.

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Salary Cost Transfer

- Transfer of payroll expenses to or from sponsored projects after initially being charged to a separate funding source
- Payroll cost transfers are completed:
 - To record information when an employee is transferring from one department to another
 - Changes in the employee's funding source
- Additional documentation is not required unless the cost transfer is untimely

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Untimely Salary Cost Transfers

- Auditors perceive untimely transfers and reallocations as evidence of poor management practices, possible violations of appropriate allocation to the correct project, and possible charging of costs that are expressly disallowed by federal sponsors.
- Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42, and must make it available for audit or other review.

"Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both." —2023 NIH Grants Policy Statement

OIG auditors emphasize the importance of timely transfers, particularly given NIH's \$41.7 billion annual investment in medical research. Effective oversight ensures compliance and safeguards the proper use of federal funds.

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Untimely Salary Cost Transfers

Exceptions can be made in exceptional circumstances, such as:

Late issuance of cost object. The department must show that a request was submitted to the pre-award office for approval within 90 days of the current project or budget start date. **Charges should be transferred within 90 days of cost object issuance.**

Correcting a recent payroll form that mistakenly changed a correct original cost distribution. The Notification Numbers of the incorrect payroll form and the correct payroll form should be included in the justification for reference. **Corrections should be made within 90 days of the incorrect transfer.**

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Avoiding Untimely Salary Cost Transfers

- Reconcile
- Review committed effort to ensure effort commitment is in line with actual expenditures
- Communicate with faculty about effort distribution for both the faculty member and staff
- Partner with your payroll rep to ensure you provide required data in a timely manner
- Work with pre-award office to have codes set up in a timely manner

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Case Study

During the quarterly review meeting in September with a PI, the PI and department administrator discover a researcher's wages were mistakenly charged to just Grant A during the first few months of EY23. The 75 hours should have been split between Grant A and Grant B.

- What is the required source information for this cost transfer?
- What changes are required to the source information?
- What is the original posting date of the cost transfer request?
- When would this cost transfer request be considered untimely?
- What signature(s) would be required on the cost transfer form?
- What documentation is required to be submitted with this cost transfer request?
- Is corrective action warranted?

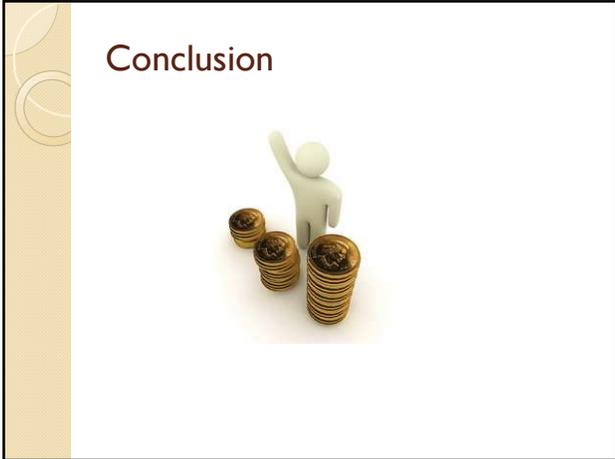
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Red Flags

- 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
- Grants with zero balances
- Paying summer salary



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