

Cost Transfers



Research Financial Management
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Definition

A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored award or non-sponsored award.

Cost transfers include reassignments of salary, wages, and other direct costs.

Refer to: [ResearchCCHIP #001, Timeline for Processing Cost Transfers on Sponsored Projects](#)

Get it right the first time

- Plan expenditures to avoid cost transfers and allocate to the appropriate funding source.
- Monitor costs regularly (review/reconcile monthly).
- Process any needed corrections within the next calendar month.
- Provide PIs with monthly financial reports and review with them, comparing costs with the budgets and investigating questionable charges.
- If funding is expected but an award notice has not yet been received, request an underwrite to ensure expenses are charged directly to the correct funding source.
- Cost transfers should **NOT** be a tool for managing sponsored awards.

Avoiding Cost Transfers

- Change pay distribution and chartfields for open purchase orders in a timely manner when FAST Project IDs change.
- Obtain no cost extensions prior to the end date of the original award.
- Split distribution, when costs are shared by more than one sponsored award.
- Remember that each award is a separately financed project with separate technical and financial products.

When a cost transfer is necessary ...

- Ensure the cost being transferred is allowable, reasonable and allocable to the new award; the cost was incurred within the award period or is permissible as a pre-award charge and benefits the award.
- Confirm the justification for transfer is appropriate.
- Be clear and concise in the language used in the cost transfer documentation and the accompanying journal.
- Submit allowable cost transfers, such as payroll retroactive expenditure transfers (RETs) and non-payroll expenditure transfers (ETRs), promptly after the error occurs, but **no later than 90 days** following the date of occurrence.
 - *Any cost transfer submitted after 90 days requires RFM review and approval and will be granted only under extenuating circumstances and with confirmation by the sponsor, when applicable.*

Tips for successful submission

- Document, document, document!
- Attach appropriate back-up documentation needed to support the cost transfer
- Provide detailed explanation of:
 - the error and how it occurred,
 - how the cost benefits the receiving sponsored award,
 - The steps put in place to avoid similar errors in the future,
- Obtain appropriate approval/s
- Follow submission instructions (i.e., subject line)
 - [Instructions for Submitting Payroll Expenditure Transfers \(RETs\)](#)
 - [Instructions for Submitting Non-Payroll Expenditure Transfers](#)

If a cost transfer is not approved

If a cost transfer is not approved, the expenses in question **must** be removed.

By requesting a cost transfer approval, you have indicated that the charges do not belong where they are currently posted.

Red Flags

- Transfers to or between federally sponsored awards.
- Transfers older than 90 days after original transaction date.
- Transfers in the last month of the award or after the award has expired, particularly those that would require the revision of the final financial status report or are for equipment.
- Large numbers of cost transfers. This may possibly indicate to the sponsor the need for a better accounting system and/or enhanced internal controls.
- Transfers resulting in a zero balance/Remaining Spending Authority (RSA) at the end of the award period.
- Transfer requests in round numbers (may be an indicator of a plugged amount).
- Payroll transfers that do not match previously certified effort.

Unacceptable Practices

- Using “to correct an error” or “to transfer to correct project” as an explanation.
- Pooling sponsored awards.
- Using any sponsored project as a holding account, including competing or non-competing continuations of the same project for which the notice of award has not yet been received.
- Submitting cost transfers to a sponsored award to spend down an award.
- Transferring costs from one sponsored award to another to clear a deficit.
- Transferring costs from one sponsored award to another to avoid restrictions imposed by law or by the terms of the sponsored agreement.

Congratulations



You have completed this module!

