

COST TRANSFERS

OFFICE OF SPONSORED PROJECTS

Overview



- Introduction to the Cost Transfer process
- Provide an overview of cost transfer regulations
- Review of Brown University's Cost Transfer Policy
- Provide tips and tricks that will help to reduce the need for cost transfers

What is a Cost Transfer?

- A cost transfer is an after-the-fact reallocation of costs, either labor or non-labor, to a sponsor funded award
- Typically, cost transfers are appropriate when they are allowable direct costs of the sponsored project and their purpose is to:
 - ▣ correct errors in processing the original charges;
 - ▣ move costs between funds for closely related work as defined by the project scope that is supported by more than one funding source;
 - ▣ reallocation of shared services;
 - ▣ transfer pre-award costs in accordance with the provisions of OMB federal requirements, (Uniform Guidance 2 CFR 200.308 Section e.1)

Why is a Cost Transfer Policy Necessary?

The policy ensures that Brown is compliant with all federal regulations.

Under 2 CFR Part 200 (Uniform Guidance) meet the following conditions:

- Be **necessary** and **reasonable** for the performance of the award and be **allocable** (Incurred solely to advance the work under the sponsored agreement) to the award;
- Be **allowable** (the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and University policy);
- **Treated consistently** (a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost);
- In accordance with generally accepted accounting principles (GAAP);

Why is a Cost Transfer Policy Necessary? (continued)

- To ensure the transfer is adequately documented;
- To reduce late, frequent, and inadequately explained cost transfers which:
 - ▣ Suggest poor financial management
 - ▣ Lead to questions on the overall reliability of the institution's internal controls and accounting systems
 - ▣ Cause audit issues

Brown's Cost Transfer Policy



<https://www.brown.edu/research/conducting-research-brown/managing-award/award-management/cost-transfer-policy>

Cost Transfer Requirements

Non-Personnel Costs

- Cost Transfer Request Form
- Documentation for the original charge(s). If in Workday, reference operational transaction ID (i.e. ER-123456). If not in Workday (i.e. PCard charges prior to 2021) attach credit card receipt and/or other documentation that describes how the expense supports the award's scope of work.
- Copy of Workday ledger report, identifying accounting date of original charge.
- Submit completed form and supporting documentation as one combined PDF, named as SF00000xxxxx. Email to your OSP Grant/Contract Accountant with the subject line: SF00000XXXXX.

The Cost Transfer Request Form



- Form is designed to clearly document:
 - ▣ Why was the receiving account not originally charged
 - ▣ Why is the charge more appropriate for the account where it is being transferred. Specifically, how does the charge directly benefit the project's scope of work.
 - ▣ If this transfer is over 90-days:
 - Why did it take so long to identify this mischarge
 - What measures will be taken to ensure these errors are detected more timely in the future and explain what corrective action has been taken to correct systemic problems.

Is the Cost Transfer Over 90 days?

Use the Cost Transfer Calculator Tool

- https://www.brown.edu/research/sites/research/files/cost_transfer_calculator.xlsx

Cost Transfer Calculator	
Please enter information in cells B3 and B4	
Original Transaction Date of Expense:	6/26/2022
Day One of Cost Transfer:	7/7/2022
PLEASE NOTE	
<i>Day One of the Cost Transfer begins on the 5th Business Day of the following month in which the charge was originally transacted.</i>	
<i>(Example: for a charge posted 12/10/20, 90-Days are counted from 01/07/21)</i>	
Today's Date:	10/25/2022
Date the Cost Transfer Reaches 90 Days	10/4/2022
Current Day of Cost Transfer	110
End of Worksheet	

What is considered not a 'true' cost transfer

- Transfers of true overdrafts (off sponsored awards to unrestricted accounts). These transfers may be made in lump sum entries rather than identifying individual transactions.
- Transfers of expenditures between grants under the same award (i.e. between parent and/or child accounts), in cases where there are no sponsor restrictions on the funds set aside in a particular sub account.
- Transfers of pre-award expenditures that were charged to a departmental account, if the costs are allowable and allocable, and were incurred within 90 days before the beginning date of the award.
- Transfers of expenditures incurred within the period of performance of the award but charged to a departmental, unrestricted, or other non-sponsored account while awaiting the fully executed sponsored agreement.
 - ▣ To avoid unnecessary cost transfers, an advance account should be requested from OSP by completing the UPAS form.
- Transfer of an incorrect charge from a sponsored account to a non-sponsored account.
- **Caution: An account for an existing sponsored agreement must never be used as a holding account for any pre-award expenses, including labor.**

Cost Transfers: Inappropriate Circumstances

- Inappropriate circumstances include, but are not limited to, the following:
 - ▣ transfers solely for the purpose of utilizing an unexpended balance;
 - ▣ transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement;
 - ▣ transfers that circumvent pre- and/or post-award restrictions;
 - ▣ transfers to avoid restrictions imposed by law or by terms of the sponsored agreement;
 - ▣ transfers to activities sponsored by industry, foreign governments or other sponsors shifted to federally sponsored agreements;
 - ▣ other transfers for reasons of convenience.

Payroll Accounting Adjustments (PAAs) - Personnel Cost Transfers

- Payroll Accounting Adjustments (PAAs) are considered cost transfers of salary and must be in compliance with the University's Cost Transfer Policy.
- Departments are responsible for periodically reviewing effort distribution for appropriateness and accuracy of effort expended on all projects. It is recommended that the review be done monthly or no less frequently than quarterly. The Uniform Guidance requires adjustments to salary allocations in response to significant changes in work activity. Failure to adjust salary allocations in a timely manner will result in errors to salary charges to grants, leading to over/under recovery of salaries as well as resulting in non-compliance.

Procedure for PAAs Made During the Effort Certification Process

- Submit a PAA for any retroactive changes in effort
- Submit certified effort report.
- If you're processing a PAA to debit a sponsored project, during an Effort Certification Period for an employee that doesn't currently have an effort report, reach out to your Grant/Contract Accountant to request an off-cycle Effort Report for that individual.

PAA's Made After Effort Report Has Been Signed

- Over 90 Day PAAs (answering yes to Question 3), requires an answer to 3(a) to explain why the cost transfer is over 90 days and 3(b) what measures will be taken to ensure these errors are detected more timely in the future and explain the corrective action to a systemic issue.
- PAAs changing Certified Effort (answering yes to Question 4(a)), requires an answer to Question 4(b) to explain why the effort was incorrectly certified by both the Principal Investigator/employee and the department.
 - ▣ Changes to Certified Effort may require a review of the department's certification procedures.
 - ▣ OSP will review and consider the request. If the PAA is approved by OSP and Payroll Office, the Effort Certification Administrator is then notified to run a recertification report by OSP on that employee. The new payroll accounting adjustments will then be reflected on the effort report.
 - ▣ Changes to a certified effort report are highly discouraged and not allowed except in limited circumstances.

Best Practices – Get it right the first time!



- Active account management – timely, proactive reviews with PI's regarding grant activity.
- Charge costs to the correct award initially and ensure they are allowable and allocable to the award.
- When costs are shared by more than one award, use an allocation methodology.
- Monthly reconciling helps to catch errors on a timely basis

Best Practices Continued...



- ❑ Monitoring with projections to the PI helps to avoid overruns or underspending
- ❑ Request Advance accounts via a UPAS form to charge costs incurred prior to receipt of notice of grant award.
- ❑ Update GSIM and costing allocations for stipends and salaries, as well as standing purchase orders in a timely manner when award numbers change.
- ❑ When in doubt...contact your OSP accountant!

Please Avoid



- ❑ Transfers with inadequate explanations.
- ❑ Explanations that raise more questions than answers.
- ❑ Using any sponsored project as a holding account, including for competing continuations of the same project for which the notice of award or the new account number has not yet been received.
- ❑ Incomplete explanations.
 - ❑ Using “to correct an error” or “to transfer to correct project” as an explanation.

Please Avoid (continued)




- ❑ Processing cost transfers to a sponsored award to 'spend down' the remaining funds or to remove a spending overage to other unrelated grant funding.
- ❑ Transferring costs to avoid restrictions imposed by the terms of the sponsored agreement.

Red Flags to Auditors

- ❑ Cost transfers to or between sponsored awards
- ❑ Cost transfers more than 90 days after the original transaction date
- ❑ Cost transfers in the last month of the award or after the award has expired
- ❑ Large numbers of cost transfers
- ❑ Round numbers in a cost transfer – they may be an indicator of a plugged-in number rather than actuals
- ❑ Cost Transfers that result in recertification of effort
- ❑ Cost transfers that remove overages from one sponsored project, charged to another sponsored project

Is the wording on the following examples appropriate and adequate? Why or Why Not?



- ❑ The attached cost transfer is late because I was on vacation and could not get it done within 90 days.
- ❑ The attached cost transfer is over 90 days because the graduate school did not change the post doc's appointment form as requested. We made a request about once a month and they completed the change and the journal last week.

What should you do?



- A PI asks you to move \$22,000 in supplies from his sponsored account in Engineering to a subaccount (child account / same award) issued to Chemistry. When asked for a justification you are told that “we are overspent and they still have money.”

Is the following considered a cost transfer?



- A PI tells you that they would like to transfer \$10,000 in expenses from their grant to a non sponsored account. The expenses relate to the purchase of DNA sequencing that were purchased five months ago.

Is the following considered a cost transfer?



- Professor Jones submitted an expense report and the airfare was charged to a domestic travel spend category rather than the foreign travel spend category. The administrator submits a cost transfer request to correct it.

Should the following cost transfer be approved?



- Dr. Researcher's grant ended in May 2022. The administrator realized in October 2022 that a \$455 lab supply order should have been charged to the old grant. The administrator submits a cost transfer request to move the charge.

Questions



If you have any questions about cost transfers, please reach out to your post award Grant/Contract accountant.

Useful Link

- ▣ <https://www.brown.edu/research/conducting-research-brown/managing-award/award-management/cost-transfer-policy>