

## Cost Transfers

Please read the attached memo from Stillwater.

For cost transfers **within** the 90 days allowed, give a good and complete explanation for the correction in the comment section of the form. Use the info in the attached memo for guidance. Word the comment as though you are writing it as an explanation to an auditor, since that is ultimately the ones we have to satisfy.

For cost transfers **after** 90 days, a memo must be attached stating why the correction was not done within the 90 days. The memo must be signed by both the PI and the department head. (We have been able to have only the PI sign in the past, but now the department head must sign also.)

Not following policy is a possible audit finding in our annual A-133 audit. Stillwater has to take the heat for audit findings. We need to make every effort not to be responsible for an audit finding.

The procedure is that the FBM reports be printed and reviewed after the month end and any needed corrections be made as soon as possible. Following this procedure will avoid exceeding the 90 days allowed for corrections. Remember it takes time to get a retro or recast form through the system, so time within the 90 days should be allowed for that. And of course, every effort should be made for the correct posting of expenditures to avoid the need for a correction.

For those who have grants with overlapping purposes, please make every effort to get the expense charged to the grant account you want it to stay in. Since they are tightening up on cost transfers, moving these expenses between grants will become more challenging as time goes on.

I appreciate your cooperation with this procedure.



MEMORANDUM

**DATE:** October 2, 2006

**TO:** SPRC Listserv

**FROM:** Robert E. Dixon 

**SUBJECT:** Cost Transfers

*Federal Audit News* (July/August 2006) reported findings by the Department of Health and Human Services Office of Inspector General sharply criticizing cost transfers at the University of Chicago.

“Transfers of costs from one funding source to another may be proper for closely related work supported by more than one funding source. However frequent, tardy, or inadequately supported transfers, particularly if they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the appropriateness of the transfers and overall reliability of the university’s accounting system and internal controls.”

Oklahoma State University policy and procedure 4-0136 outlines the management of cost transfers in sponsored agreements and lists the acceptable criteria for retroactive cost transfers:

- a. Clerical and data entry errors – Any request to correct a clerical error should be accompanied by an explanation of how the error occurred. The correcting entry must include a statement certifying that the adjusted charge/credit is correct and appropriate. Any explanation that merely states that the transfer is made "to correct error" or "to transfer to correct project" is not sufficient. Frequent errors in the recording of costs may indicate the need for improvements in the grantee's accounting system and/or internal controls.
- b. Transfers between a continuation grant and a new project when the account number was established at the time the expense was incurred – It is possible that if a continuation grant account number is not established promptly, continuation grant charges that have been incurred on or after the start date of the continuation award may have been temporarily charged to the prior

year's account. Over-expenditures from a prior year are unallowable costs that can be transferred to the continuation award only with sponsor approval.

- c. Pre-award costs that are specifically authorized in writing by the sponsor – A department or research unit may, at its own risk, incur obligations and expenditures to cover costs prior to the beginning date of an award if the following criteria are met: 1) costs incurred are considered necessary for the conduct of the project, 2) costs are allowable under the potential award, and 3) sponsor's written prior approval is obtained when required.
- d. Pertinent information is received subsequent to the date of original entry
- e. It was impractical or impossible to allocate charges at the time of the original entry
- f. An award fails to materialize and charges have been incurred on the grant/contract account – Costs incurred subsequent to the anticipated effective date of the award will need to be transferred to other nonfederal funds. At times, principal investigators are notified verbally or by memo that an award is forthcoming. If for any reason, the award is not received as anticipated, a request may be necessary to transfer any charges made to an emergency account to other nonfederal funds of the department.

While it is necessary to make cost transfers from time to time, excessive cost transfers are flags drawing federal attention to sponsored programs.

If you have any questions or concerns, please contact Grants and Contracts.

Thank you.

RD/crh

cc: Dr. Stephen McKeever  
Dr. Robert Dooley  
Dr. Adrienne Hyle  
Dr. Christine Johnson  
Dr. Jerry Malayer  
Dr. Alan Tree  
Dr. Ron Van Den Bussche  
Dr. David Wallace  
Dr. Clarence Watson  
GCFA File