



Research Administrators Forum

COST TRANSFERS

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Cost Transfers

❖ **Definition:**

A cost transfer is the transfer of an expenditure originally posted to one project and then transferred to another project.

❖ **Expectation:**

The government expects that costs are charged appropriately at the time incurred and that significant adjustments should not be required if adequate financial management practices and policies exist.

Cost Transfer Regulations

❖ Federal Regulations

- **NIH Grants Policy Statement**
 - ❑ Transfers should be accomplished within 90 days of discovery
 - ❑ Must be supported by documentation that fully explains how the error occurred and a certification of correctness of the new charge by responsible, organization official
 - ❑ Maintain documentation of cost transfers

Cost Transfer Regulations

- **OMB Circular A-110**
 - Unless the Federal agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 days after the funding period or the date of completion.
- **OMB Circular A-21**
 - Details factors affecting the allowability of costs
 - Defines reasonable and allocable costs
- **OMB Circular A-133**
 - Auditee shall:
 - Identify all Federal awards
 - Maintain internal control
 - Comply with laws, regulations and provisions

Cost Transfer Regulations

❖ UCLA BUS A-47

- **When a cost transfer should be used:**
 - ❑ Correct errors caused by a typo, or a charge that appears on a fund that cannot be identified or does not belong to that fund.
 - ❑ The University recharge ID system defaults to an object code that should be moved to the appropriate cost category.
 - ❑ Bulk charges to a departmental fund then redistributed to a particular fund usage/source.

Cost Transfer Justifications

❖ Acceptable Examples

- Late Award Set Up – should consider use of eRAS
- No Cost time extension approval delay by sponsor
- Cost Transfers to the applicable grant year of the same award
- Expenses approved through a revised budget or sponsor approved
- PI determines that fund charged was not the fund that benefited from cost; a change in the decision as to the use of goods or services
- Reallocate a portion of cost to other appropriate fund sources
- To redistribute payroll costs based on the after the fact verification of effort reported through the effort reporting system
- Correct bookkeeping or clerical errors (transposition of numbers)

Cost Transfer Justifications

❖ Unacceptable Examples

- Cost Transfers used as a cost management strategy – to use up remaining balance for a fund that is ending
- Cost Transfers from one sponsored project to another sponsored project to avoid or eliminate overdrafts
- Cost Transfer to help the other department survive
- Cost Transfer done per instruction of main department to use up the balance of the account
- Shortage of Staff – Turnover, out on maternity leave

Cost Transfer Justifications

- ❖ **Red Flags** – requires further explanation or documentation
 - High volume of cost transfers
 - Transfers in excess of 120 days from doc date or 90 days after fund end date
 - Transfers processed toward end of project period or right after
 - Previously transferred expense being transferred again to another sponsored fund
 - Transfers between “closely related” projects
 - Transfers without full justification or explanation

Cost Transfer Process

❖ Department's Responsibility & Submission

❖ Monthly G/L review Critical

- Cost transfers prepared within 120 days are automatically processed and will appear in the G/L the next day
- If your transaction is over 120 days and/or >90 days after award expiration date, the cost transfer is routed to EFM for further review and approval
- If the transaction is moving an expense from a sponsored award to an unrestricted fund it will automatically be processed

Cost Transfer Process

❖ EFM Review Process:

- For cost transfers routed to EFM, departments will receive a message that the transfer requires additional review and approval
- The preparer has the option whether to change the FAU to an unrestricted fund source, cancel, or proceed for further review

Cost Transfer Process

❖ **The system allows two options for the EFM reviewer:**

- **Approve or Reject**
- **Decision to approve is based on whether:**
All six policy questions have been addressed
 1. **Why is the transfer being made?**
 2. **Why is the original in error?**
 3. **How does the cost transfer benefit the new fund charged?**
 4. **Who approved the transfer?**
 5. **Explain delay in transfer – more than 120 days after original transaction date or 90 days after fund end date?**
 6. **What steps are being taken to prevent reoccurrence?**

Cost Transfers

Questions?