

## Cost Transfers

Procedure # :600.230

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### 1.0 Introduction

- A. Federal Rules require that charges to grants be reasonable, allocable to the grant, and allowable on the grant. When charges are transferred after-the-fact by means of a journal entry, rather than being charged directly to the grant, these charges are considered “cost transfers” and require a higher degree of oversight than normal direct charges. General federal guidance is that cost transfers that represent corrections to bookkeeping and clerical errors to a grant need to be done within 90 days of being incurred. 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. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.
- B. 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. The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both.
- C. Cost transfers over 90 days old are by definition, “highly suspect” as being an appropriate charge to a grant. Cost transfers that occur in the last 90 days of a grant are even more “highly suspect”. Transferring costs to a grant just to use up available funds is prohibited and all documentation needs to address that specific issue.

### 2. Procedure

- A. Whenever a principal investigator or his staff discovers a clerical or bookkeeping error which resulted in a charge to a grant not being posted directly to the grant, they are required to immediately notify the grant accountant. This notification needs to be done within 90 days of the initial charge. If the discovery occurs after 90 days, the Director, Financial Services must review and approve all documentation before a cost transfer may take place.
- B. Cost transfer requests should include the nature of the clerical or bookkeeping error (how did it happen), corrective action to keep similar circumstances from reoccurring, and a certification of the principal investigator that the charges are directly attributable to the grant that the costs are being transferred to.

- C. The grant accountant is authorized to do the cost transfer once B (above) is provided, unless the transfer is over 90 days old.
- D. If a cost transfer is over 90 days old, the data in B (above) needs to be completed, plus a detailed description of why it took over 90 days to find the error.
- E. Any cost transfer in the last 90 days of the grant needs the detail required in B above, plus an explanation for why it is occurring in the last 90 days of a grant and an additional certification that the cost transfer is not being done to use remaining funds in the grant.
- F. The detailed explanation will be attached to a journal entry and included in the grant folder.