



COST TRANSFERS

The Transaction that is looking for an audit!

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Direct Cost Criteria

- Allocable

- Incurred solely to advance work of project
- Benefits both the sponsor and institution
- Necessary and deemed to be assignable

- Reasonable

- Necessary for the performance
- Determined by arm's length bargaining
- Accordance with sponsor's terms & conditions
- Consistent with University policies & practices

Criteria (cont.)

- **Consistently Treated**

- Uniformly applied across all funds
- Incurred for the same purpose, in like circumstances and are treated as either direct or indirect costs

- **Must conform to any limitations or exclusions set forth in the cost principles of the enabling legislation (Smith-Lever Act, Food & Agriculture Act of 1977 -**

<http://www.csrees.usda.gov/business/awards/formula/manuals/coopextension.pdf>

Criteria (cont.)

- **Cost Transfer**

- After-the-fact reallocation of the cost associated with a transaction from one account/project to another

- **OMB Circular A-21, Cost Principles for Educational Institutions**

OMB Definition

- OMB Circular A-21 states
 - “Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience” (U.S. OMB, Circular A-21 Revised, Section C4).


Audits

- University of Chicago
 - Thomas Jefferson University
 - California Institute of Technology
 - Boston University
 - University of Rochester
 - Mayo Clinic
 - Florida International University
 - Yale University
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Findings

- Cost transfers not in accordance with University policy – transfers disallowed
- Not adequately explained & documented (email state transfer to spend down funds)
- Cost transfer not made within a timely period – 90 days
- Incomplete documentation

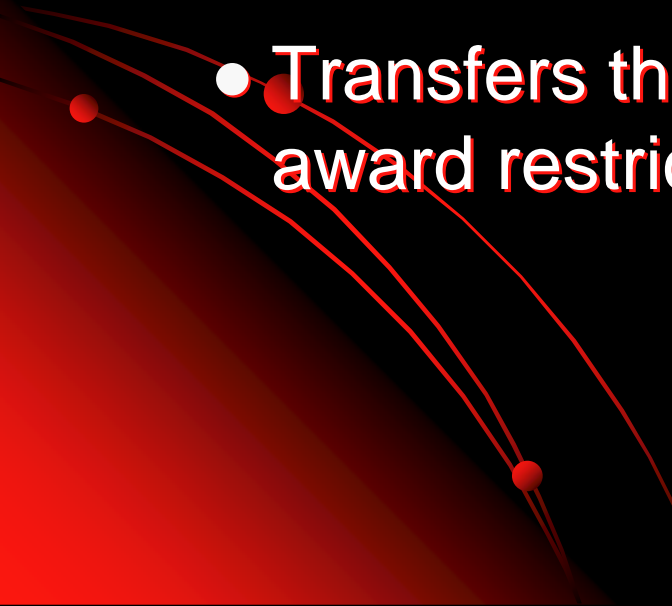
Findings

- Significant number of late cost transfers (greater than 90-120 days after original charge)
 - Costs transferred from an account in overrun status to an account with large balance
 - Significant number of cost transfers from departmental account to sponsored accounts
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Appropriateness

- Cost transfers are appropriate when they are allowable direct costs and their purpose is to:
 - Correct errors in processing of original charges
 - Reallocate costs between projects for closely related work that is supported by more than one fund source
 - Transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C.25


Appropriateness

- Inappropriate circumstances include:
 - Transfers solely for the purpose of utilizing an unexpended balance
 - Transfers for the purpose of avoiding cost overruns
 - Transfers that circumvent pre- and/or post-award restrictions
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Evaluate Your Transfers

- Evaluate the number of salary and non-salary transfers
- Supporting documentation should address ALL of the following:
 - Date of the original charge
 - Description of the error and why it occurred
 - Description of how the cost benefits the project it is being moved to
 - Certification of transfer by responsible organizational official and contact information
 - “By authorizing the above, requestor certifies that the cost to be transferred is an appropriate expenditure for the project charged and that the expenditure complies with the terms and conditions governing the sponsored project.”

Transfers (cont.)

- **Cost Transfers made after 90 days!**
 - Considered on after careful review
 - Justification why the lateness of the transfer
 - Explanation to include measures that have been put in place to prevent future occurrences
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Over 90 days

- Circumstances which necessitate:
 - The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of project account
 - The account number assigned was delayed because of negotiation issues
 - The official approval from the sponsor for specific expenditures was received after the expense transaction(s) was processed
 - The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expense transaction(s) was processed

Discussion

- How does your University/Organization handle these common issues related to cost transfers?
 - Late receipt of award
 - Timing issues related to effort reporting
 - Central review or audit of cost transfers
 - Requests for late transfers
 - Training related to cost transfers



QUESTIONS

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