PI ARTICLE: Cost Transfers – Manageable Problems

A cost transfer is the movement of an expense from one funding source to another, after the expense has been recorded in the financial system. A timely cost transfer occurs within 90 days after the original transaction posting date. Transfers beyond 90 days are NOT considered timely, require additional levels of review, and may only be approved under exceptional circumstances.

At a high level, cost transfers can be categorized as personal services and non-personal services.

- Personal services cost transfers are Express Direct Retro (EDR) transfers of actual salary expenditures for a previous pay period from one funding source to another. Salary cost transfers are submitted in the OneUSG Connect HCM system via an EDR.
- Non-personal service cost transfers are for all non-salary associated expenses.

<u>Why they are a problem</u>

Cost transfers most often represent error corrections that are needed to move an expense to its appropriate funding source. An auditor or sponsor may raise the question of why the mistakes are happening in the first place, which speaks to our internal controls and grants management processes. Cost transfers will usually impact invoicing – crediting an award previously billed and debiting an award that has been under-billed. This may raise questions by the sponsor such as “why is this month’s invoice so high” or “why is there no invoice this month?” Also, financial reports which have already been filed with the sponsor may require revision, which adds administrative burden and again does not reflect well on our controls and processes.

<u>Steps toward avoiding cost transfers</u>

It is worth noting that cost transfers are allowable when necessary, as expenditures should never remain on an inappropriate funding source. But, cost transfers SHOULD NOT be used as a mechanism to manage an award. The following actions should be taken to avoid cost transfers:

- Actively manage and monitor your awards every month <u>during the period of performance</u>, just as you would your credit cards, bank accounts, and investment accounts.
- Grant administrators and principal investigators should communicate/meet on regular basis. Monthly is ideal, but at a minimum, quarterly.
- Salary distribution planning should occur in advance, before salary charges hit the ledger. Ensure newly hired employees are in the correct position and the position is funded correctly.
- Review encumbrances/obligations and submit/approve change position funding (CPF) transactions prior to payroll processing to avoid the need for an EDR salary cost transfer.
- Encourage employees to review EWAF (Electronic Workload Assignment Form) reports and communicate any necessary changes timely (before payroll for the pay period is processed).
- Review purchases and expense reports thoroughly in the requisition stage before approval (looking for the correct grant line and assessing budget and allowability) will eliminate most accounting adjustments.
- Review the following reports regularly for your awards:
    - Sponsored Award Budget and Expense Report (SABER) - displays award details at a high level, along with providing detailed transaction drill down functionality at the grant level.
    - Employee Cost Detail report - displays employee/position funding for the fiscal year.
    - Project Cost Detail report – displays all employees/positions with salary, fringe, and tuition allocated to a driver worktag.
    - Ad Hoc Salary Details (lite) report – can be run by cost center, driver worktag, award number. Can be run for one employee or multiple employees at a time.

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