Uniform Guidance Update

• Internal Controls
• Must establish and maintain effective internal control over Federal awards that provide reasonable assurance of managing in compliance with Federal rules and regulations
• Should be in compliance with guidance with “Green Book or COSO
• Must comply with Federal statutes, regulations and terms and conditions of award,
• Must evaluate and monitor compliance
• Must take action on any instances of non-compliance, and
• Must take reasonable measures to safeguard personally identifiable information and any other designated sensitive information
Cost Transfers

• Definition: transfer of cost from one institutional account to another

• Cost transfers can occur:
  – between two sponsored accounts
  – from a non-sponsored account to a sponsored account
  – from a sponsored account to a non-sponsored account, or
  – between two non-sponsored accounts
Cost Transfers

- A cost transfer is an after-the-fact reallocation of costs, either labor or non-labor, to an award/grant. Cost transfers move expenses from one account to another. **Federal requirements concerning the management of awards made to institutions such as the University limit the circumstances under which cost transfers are allowed.**
- Federal requirements for cost transfers require that they are timely, supported, reasonable, allocable, allowable, and that grant accounts must have adequate internal controls so they can be monitored. In addition, specific University requirements must also be followed.
- 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, and 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 the overall reliability of the university's accounting system and internal controls.
- Source: DHHS OIG Audit of Univ of Chicago, June 2006
Cost Transfers

• From the 2007 A-133 Audit Supplement
• Transfers of unallowable costs between cost centers or research projects are a common method used to circumvent the institution’s internal control over the spending of R&D Funds. These transfers of unallowable costs are often made to use unexpended funds from a project, as a source of available funding for overspent projects, or as a source of funds to complete projects. Often, at least one side of the cost transfer is associated with projects that are completed or in the later stages of completion. Frequent, untimely, and poorly documented cost transfers can be an indication of poor internal control.
Stanford Policy

• Costs should be charged to the PTA for the benefitting sponsored project when first incurred. However, at times it may be necessary to transfer a cost to a sponsored project subsequent to the initial recording of that cost. Such transfers require careful monitoring for compliance with Stanford University policy, federal regulations and policies, and the federal cost principles that underlie all fiscal activities of sponsored projects.

• The cost transfer procedure requires thorough documentation to support the transaction. In addition, the transfer must be timely, complete, and comply with allowability, allocability, and reasonableness requirements.

• Source: Research Policy Handbook 15.8
Stanford Policy

- All cost transfers must be supported by documentation that fully explains the error as detailed below. An explanation merely stating that the transfer was made "to correct an error" or "to transfer to correct project" is not sufficient.

Cost transfer documentation must include a justification that clearly shows:
- The expense directly benefits the receiving PTA
- The expense is allowable on the receiving PTA
- The allocation methodology used if transferring expenses to multiple PTAs
- The reason the expense was charged incorrectly to the first PTA
- That any systematic reasons which might cause this problem to be repeated have been addressed
- The reason for any delay in the timely processing of the transfer
- Large transfers, and transfers within the first or last 90 days of a project, receive additional central review. Detailed documentation for these transfers will facilitate their timely review by the Office of Sponsored Research.

- Source: Research Policy Handbook 15.8
Cost Transfers

• Stanford allows timely cost transfers involving sponsored PTAs in the following circumstances:
  • error correction
  • transfers between tasks of the same sponsored project
  • disallowed costs
  • clearing an overdraft at the end of a project
Why are Cost Transfers Problematic?

- A cost that is originally placed on an account is certified for allowability, allocability tests and direct benefit to a project
- A cost transfer invalidates that original certification
Which Cost Transfers are Problematic?

• Transfers between two Federal projects
• Transfer to Federal projects occurring more than 90 days (6 months for Stanford) after the original transaction
• Transfers to Federal projects at the end of the project period
• Late transfers
Which Cost Transfers are Problematic?

• Inadequate explanation/justification for cost transfer (e.g., “to correct error”)
• Transfers between two Federal projects that clears a deficit off one of the projects
• Salary transfers (think of the implication on effort reporting)
• The cost has been reviewed and certified up to three times before we move it. What does that say about our certifications and overall Internal Control.