**Sponsored Program Services continues a five part mini-course on Cost Transfers.**

With nearly $300 million of sponsored research expenditures annually charged to the federal government, Purdue has the obligation of ensuring that expenses are charged appropriately. To assist staff with being mindful of this fiscal responsibility, SPS has created a five part mini-course focused on Cost Transfers. Continue reading for Part 2.

PART 2:

Concerns: Cost transfers that are frequent, late or have inadequate explanations raise questions about the appropriateness of the transfers and the reliability of the university accounting system and internal controls. These are of heightened concern when occurring on grants with unexpended balances or when a charge is moved from a grant with an overdraft to another sponsored project.

Government Requirements: Various government agencies have published cost transfer policies. They generally include specific requirements for written documentation, specific time limitations for making a transfer, and prohibit transfers created solely for the purpose of covering a project deficit.

Cost Transfers Between Similar or Related Projects: The appropriate allocation of costs between similar or interrelated projects should be documented at the time a transaction is initiated, in accordance with the university’s cost allocation guidelines. The cost transfer guidelines in this document apply to cost transfers whether projects are related or unrelated. If a cost transfer is not allowable within the guidelines as stated, affiliation cannot be used as a reason to make the transfer allowable without written authorization from the appropriate federal funding agency.

Consequences if a Cost Transfer does not meet Government Requirements: As required by federal regulations, the university retains external auditors to conduct extensive reviews of federal grant and contract expenditures, which include detailed review of cost transfers. In the event that a cost transfer does not meet the government requirements, the dollar amount of the transfer will be disallowed, and the academic area responsible for the grant will need to reimburse the amount of the disallowed cost transfer. If a significant number of cost transfers do not meet government requirements, the auditors may generalize the disallowances and recommend that a percentage of ALL cost transfers be disallowed for a particular department, college/school, or university-wide.

Resources:

Cost Allocation Guidelines for Charges to Sponsored Programs: <https://www.purdue.edu/business/costing/BPM/CAS_Guidelines/cost4.html>.

Correcting Document Guidelines:

<http://www.purdue.edu/business/sps/postaward/accountmgmt/Correcting%20Doc%20Gudelines_Template.pdf>

In the next installment of this series, we will review cost transfer requirements.

[Review Part 1](http://www.purdue.edu/business/sps/doc/costtransfer_part1.docx)