**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 4.

PART 4:

Conditions: After an expense has been recorded in the financial ledger, you may transfer it with appropriate documentation and a complete explanation only under the following conditions:

*Conditions that apply to all funds:*

* You are correcting an error, such as when you discover an incorrect accounting distribution

*Conditions that apply to sponsored project funds only:*

* Transfers between internal orders of the same grant
* Costs benefitting more than one sponsored project
* Transfer of costs from one funding source to another may be proper for closely related work supported by more than one funding source. Keep in mind that frequent, late, and inadequately supported transfers raise serious questions about the appropriateness of the transfer(s) and the overall reliability of the University’s accounting systems and internal controls. This is of heightened concern when occurring on grants with unexpended balances or when a charged is moved from a grant with an overdraft to another sponsored project.
* Transfer of expenses on a project that could not be established because of contract negotiations.

Ways to Avoid Cost Transfers:

*Plan Ahead*

If you manage a contract, grant, or cooperative agreement, anticipate the receipt of the award. Consider requesting a Notice to Proceed (NTP). Under certain conditions, a PI may request an account prior to the actual receipt of the award. If a sponsor has approved funding, but is slow in sending the official award documentation, the business office may submit a Notice to Proceed request to SPS. In this case, a University backed NTP will be set up. If funds are not awarded, the University will be responsible for covering any costs.

If a PI wants an account created prior to the actual award and there is no documentation or correspondence from the sponsor indicating the approved funding, then a department backed NTP can be set up. It is important to note that if funds are not awarded, the PI's department or school will be responsible for covering any costs.

*Strengthen financial management control procedures*

* Ensure that review procedures are being met; make sure that payroll transactions are properly authorized, completed and documented.
* Review and reconcile FSSR reports promptly to ensure that charges are accurate, complete, and applicable.
* Monitor budgets as submitted to the sponsor and compare them to actual charges, along with pending and projected expenses.
* When the award is received, familiarize yourself with any special terms and conditions. Ensure you note any expenses that the sponsor deems as unallowable.
* Toward the end of a project, request timely extensions from the sponsor if the work is not complete and you have the need to utilize any remaining available funds to complete the work.

High Risk:

If the cost transfer involves a sponsored project and meets any of the following criteria, it is considered high risk and will undergo heightened scrutiny:

* Transfer of costs onto or between federally sponsored projects.
* Transfers to federal projects occurring at the end of a project.
* Transfers involving non-salary charges greater than 90 days.
* Transfers between federally sponsored projects which clears an overdraft.
* Transfers which expend unspent funds on a project that is closing.
* Any salary distribution charges occurring after a PAR has been certified.

In the next installment of this series, we will review summary of this series.

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