

Cost Transfer Cautions ^[1]

November 6, 2012 by (not verified) ^[2]

A cost transfer is a transfer of expense to and/or from a sponsored project by means of a journal entry (JE) in the PeopleSoft Finance System. Internal Audit recently conducted an audit at one of the campuses to ensure that cost transfers comply with all applicable requirements. Following is a synopsis of the audit findings and recommendations.

1 - Inadequate JE descriptions

The auditors could not determine, based on JE descriptions/supporting documentation, why the transfer was necessary and if it benefited the sponsored project receiving the expense. An example of insufficient JE description: *"To move lab supplies from one speedtype to the new project speedtype where they should've been reported."* A better JE description:

"To transfer lab supplies from ST63012345 NIH training grant to ST63054321. Lab supplies were required by ST63054321 in order to complete INUITRO studies for the grant. Expenses were originally booked wrong due to miscommunication in lab order request."

2 - Untimely cost transfers

The auditors found a cost transfer that occurred 18 months after the need for the transfer was originally documented. Federal and campus policies require cost transfers to "happen immediately on the discovery of an error or as soon as possible, but not more than 90 days after the discovery of the error." Untimely cost transfers could be disallowed and can have consequences on sponsored project closeout.

3 - Incomplete, insufficient, or illegible supporting documentation

The auditors noted instances of inadequate supporting documentation, e.g., illegible reports, worksheets that did not explain how the transferred dollar amount was determined, and documentation that did not relate to the cost transfer.

TakeAways from the Audit

Be sure to document why the cost transfer is allowable, allocable, reasonable, consistent, and timely. Be sure the JE description explains the original error and how/why the expense is necessary to complete the scope of work of the project charged. The JE's "long description" or "Business Purpose" should identify what the JE is meant to do, why the entry is being made, and the details of individual journal lines (speedtype, type of supplies, sponsor, etc.) Be sure your cost transfers are timely: complete them within 90 days of discovery of the error. Be sure your supporting documentation is legible and that it clearly relates to the JE. The documentation must further be defensible based on the expense allocation methodology used, e.g., when supplies are purchased in bulk and used by multiple sponsored projects, it is

common to allocate the expense based on FTE.

Questions on cost transfers or JE descriptions?

Contact your campus sponsored project office or your campus finance office.

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