MEMORANDUM

TO: Deans, Department Chairperson, and Principal Investigators of Federal Government Grants and Contracts

FROM: Office of Contract and Grant Administration

SUBJECT: Transfer of Charges

This memorandum supersedes prior memoranda from this office which covered the subject of transfers of charges between or into federal government grants and contracts.

Information received by this office in notices from granting agencies and from other institutions indicate that federal government auditors are placing special emphasis on cost transfers when auditing federal government grants and contracts. We have been advised to maintain accurate records, and are urged to review these records frequently for discrepancies and to make corrections promptly.

The Public Health Service has issued a policy statement regarding cost transfers. In their statement, PHS informed the universities that frequent, tardy and unexplained (or inadequately explained) transfers, especially those which involve projects with overruns or unexpended balances, will raise serious questions about the propriety of the transfers. The reliability of the grantee’s record keeping system and controls are also suspect when there are frequent cost transfers.

PHS advises that the correcting document (JVE) contain as a minimum, a justification for the transfer and an explanation specifying how the error came about and why it was not charged correctly initially. PHS specifically indicates that an explanation which states merely to correct error or to transfer to correct project, is not sufficient nor satisfactory. PHS has also indicated that the documentation for the adjusting/correcting entries must be readily available at the time of audit.

We urge you to keep transfers of charges to and between government grants and contracts to a minimum by taking necessary precautions to ascertain that account numbers are properly reflected on requisitions, appointment forms, time cards, etc. when they are initiated and when work orders are placed at service centers within the University.

To help ensure that cost transfers will meet audit requirements, any transfer of cost into or between federal government grants and contracts must:

a. be current (less than 120 days old).
b. be a proper and allowable charge to the grant or contract receiving the charge.
c. be supported by documentation which contains a full explanation of how the error occurred and why it was not charged to the proper account initially.
d. Justify the need for the transfer.
e. contain a certification by the principal investigator(s) of the project(s) involved of the correctness of the charge being transferred.

If partial charges are transferred, the invoice, vendor printout listing items, etc. should be attached to the JVE indicating which items are being transferred.

Since audit disallowances must be covered by other non-restricted funds in the department, the chairperson of the department should be made aware of the transfers.