MEMORANDUM (Updated on the CGA web site on 2/1/07)

TO: Deans, Directors, Chairpersons, Principal Investigators and Administrators of Restricted Grant and Contract Accounts (61-0000 - 61-9999)

FROM: Office of Contract and Grant Administration

SUBJECT: Documentation necessary to approve "Cost Transfers"

A "cost transfer" is an accounting document (JVE or eJVE) that moves a charge that was incorrectly placed on one account to the correct account. At MSU, we use the JVE and eJVE to move expenses from one account to another. Not all JVE or eJVEs are considered a cost transfer. For example, Service Center Billings (Chem Stores, Genomic Lab, etc.) and P-Card reallocations (performed within 90 days of the charge), are not considered cost transfers. The guidance in this memo applies to JVE and eJVEs that are moving expenses from the wrong account to the correct account. The federal government refers to these correcting JVE and eJVEs as a "cost transfers".

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 documentation for cost transfers 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 or satisfactory. PHS has also indicated that the documentation for the adjusting/correcting entries must be readily available at the time of audit. Because the current eJVE system does not allow for attachment of documentation, that information must be provided to CGA and maintained on file in the department in case of audit.

We urge you to keep transfers of charges to and between government grants and contracts to a minimum.

To help ensure that cost transfers request will meet audit requirements, any cost transfer request charging a restricted CGA accounts (61-0000 - 61-9999) should:

- be current (less than 90 days old).
- be a proper and allowable charge to the grant or contract receiving the charge.
- 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. For cost transfers that move only a portion of the original charge, the PO, invoice, vendor printout listing items, etc. should be attached to the to the documentation.
- Justify the need for the transfer, and explain how the expense benefits the project objectives.
- contain a certification by the principal investigator(s) of the project(s) involved of the correctness of the charge being transferred if greater than $500.

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