

Cost Transfers

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Cost Transfers, Overruns, and Accelerated and Delayed Expenditures

Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee, consortium participant, or contractor. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.

Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42, and must make it available for audit or other review. The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, grantees are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s).

The GMO monitors grantee expenditure rates under individual grants within each budget period and within the overall project period. The funding that NIH provides for each budget period is based on an assessment of the effort to be performed during that period and the grantee’s associated budget, including the availability of unobligated balances. Although NIH allows its grantees certain flexibilities with respect to rebudgeting, NIH expects the rate and types of expenditures to be consistent with the approved project and budget and may question or restrict expenditures that appear inconsistent with these expectations.

Frequently Asked Questions - cost transfers

Can cost be incurred or transferred to an award prior to the start date of the award?

Yes, if an award is issued under the Federal Demonstration Partnership (FDP) or under expanded authority, allowable, allocable and reasonable costs can be incurred up to a maximum of 90 days

prior to the start date of the award. Please refer to the notice of grant award for pre-spending language.

Are cost transfers the best method to account for pre-spending / pre-award costs?

No, the best method to account for pre-spending / pre-award cost is to request a pre-award internal order through the Office of Research Administration. Once established charges can be directly charge to the proper internal order where by eliminating the need for cost transfers and unnecessary delays in the effort certification process.

What happens to pre-spending / award cost that has been incurred but the award is never granted?

Spending prior to an award actually being granted is a departmental assumed risk. This cost would have to be funded by a departmental internal non-sponsored, funding source.

How are cost allocated for closely related work?

When salaries or other activities are supported by two or more sources, issues arise as to how the direct costs should be allocated among the sources of support. In general, a cost that benefits two or more projects or activities in proportions that can be determined without undue effort or cost should be allocated to the projects on the basis of the proportional benefit. A cost that benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable basis as long as the costs charged are allowable, allocable, and reasonable under the applicable cost principles.

Can general office supplies be transferred or directly charged to a sponsored award?

No, general office supplies (paper, pens etc.) are usually recouped through F&A recoveries. The only exception is for program or complex awards that require a high volume of general supplies to complete the scope of work defined in the proposal. These supplies should also be included in the approved budget with adequate justifications.

What can be transferred to a sponsored award?

Direct costs, which are any costs that can be specifically identified with a particular project, program, activity, or that, can be directly assigned to such activities relatively easily and with a high degree of accuracy. These costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity. These costs must be within the project period or 90 days prior, if pre-spending is authorized. It must be determined that these costs are allowable, allocable and reasonable to a particular sponsored project before the transfers can be made.

Is prior approval required from the granting agency for cost transfers 90 days or older?

The only Federal agencies that require prior approval for 90 days or older are the non- NIH, HHS agencies.

ACF - Administration for Children and Families

AHRQ- Agency for Healthcare Research and Quality

AOA – Administration on Aging

ATSDR- Agency for Toxic Substance and Disease registry

CDC – Centers for Disease Control and Prevention

CMS – Centers for Medicare and Medicaid Services

FDA – Food and Drug Administration

HRSA - Health and Services Administration

IHS – Indian Health Service

NIOSH – National Institute for Occupational Safety Administration

SAMHSA – Substance Abuse and Mental health Services Administration

All other transfers require an acceptable late reason explanation documented on the cost transfer that is reviewed by Financial Research Compliance.