

COST TRANSFERS

Meg Connolly – Research Finance Analyst
Cedric Miller – Research Finance Analyst

January 25th, 2023



**Northeastern
University**

Agenda

- Overview
- Journal Voucher
- Cost Transfers
- Cost Transfer Form Examples
- Supporting Documentation
- Compliance Review
- Areas of Scrutiny
- Other JV Transactions
- Key Takeaways
- Resources

Overview

[Policy on Cost Transfer:](#)

The university has a stewardship responsibility for all sponsored funds. Proper management of sponsored project expenditures is essential to meet this obligation. In accordance with Uniform Guidance, cost transfers must be supported by documentation that explain the correctness of the new charge onto the sponsored account and must be completed in a timely fashion. If it is determined that a transaction has been charged to a sponsored project in error, the PI or designee must prepare and sign a Journal Voucher and Cost Transfer Form and submit it to the NU-RES office for review.

Note: Although salaries are a form of cost transfer (processed via PDC), this session will focus on non-personnel cost transfers processed via Journal Vouchers.

Journal Voucher

Journal vouchers are processed by Colleges/Departments to record financial transactions across index/fund numbers. JVs for sponsored projects (5-ledger) are routed to Research Finance team for review in K2.

JVs are used to:

- Process non-salary Cost Transfers
- Split an expense shared between two units
- Reclassify expenses to new account codes
- Purchase goods or services from an internal source

Debit vs. Credit Lines:

- A Debit – Left side of the JV entry: Increases an expense on the account code
- A Credit – Right side of the JV entry: Decreases an expense on the account code

Cost Transfers

A cost transfer is the reassignment of an expense to a sponsored project (5-ledger). Cost transfers may be needed to correct a clerical error on an original charge or to correct the allocation assignment of an expense. Cost transfer requests are submitted in the [Journal Voucher K2 Page](#).

Key Components:

- Should be made promptly using the Cost Transfer Form (within 90 days of original posting date)
- Must use expense account codes (starting with 7xxxx) to move actual costs
- Include supporting documentation and justification sufficient to stand the test of a formal audit
- Transfers that are beyond 90 days of the original transaction date require additional explanation

Frequent, late, and inadequately explained transfers – especially those involving projects with cost overruns or unexpended balances – raise concerns about the propriety of the transfers and call internal controls into question during audit.

Journal Voucher in K2

Journal Voucher Form

Supporting Documents (1)

Audit

Departmental Approval

Submitted By:

Level I Approval:

Level II Approval:

Date:

May 24 2022 6:30PM

Central Finance/

Research Finance Approval:

Central Approval

Date:

Document #:

K0000000

Total:


\$38,325.52

Transaction Date:

Is this a Cost Transfer to a sponsored progra...

☒ Yes ☐ No

Cost Transfer Form:

 G1234 512000 JV Cost Transfer Form.pdf

(PDF File)

Original Transaction Date:

+ Add

×

 Delete

↺

 Refresh

DEBIT				CREDIT					
#	INDEX	FUND	ACCOUNT	AMOUNT	INDEX	FUND	ACCOUNT	AMOUNT	
1	512000 - NSF/ABC-123...	512000	73304-ScientificSupplies	\$19,162.76	1	300000 - Dept OH Account	300000	73304-ScientificSupplies	\$19,162.76

#	BANNER REFERENCE (35 CHARACTER LIMITATION)	BANK REFERENCE (REQUIRED FOR BANK JVS)	BANK DATE (REQUIRED FOR BANK JVS)	DETAILED EXPLANATION (OPTIONAL)
1	Banner Document F0123456			Allocating project-related lab supplies to new grant fund as budgeted in the project proposal

Cost Transfer Form

In accordance with Uniform Guidance, it is necessary to explain and justify all cost transfers. NU-RES Finance reviews the justifications for completeness.

- For transfers made within 90 days, the PI or designee must answer questions 1 and 2.
- If over 90 days, all four questions must be answered.
- Exceptions to the Cost Transfer Form requirement include journal vouchers submitted to reclass expenditures on the same grant, deficit resolutions, cost allocations for tuition, and billing for core services.

Cost Transfer Form

There are 4 questions on the form:

1. Why was this expense originally charged to the account from which it is now being transferred (in other words, explain the error or circumstances for originally charging the incorrect account)?
2. Why should this expense be transferred to the proposed sponsored research project account (in other words, provide an explanation as to how this expense benefits the project)?
3. Why is this cost transfer being requested more than 90 days after the original transaction?
4. How will you prevent this type of error from happening in the future?

Cost Transfer Form Example



**Northeastern University
NU-RES Finance
Cost Transfer Explanation Form**

This form should be completed for any Cost Transfers that reallocate expenditures onto sponsored projects (Fund 500XXX). The completed and signed form must be attached to the journal voucher form in K2. *Exceptions to the Cost Transfer Form requirement include journal vouchers submitted to re-class expenditures on the same Fund, deficit resolutions, cost allocations for tuition, and billing for core services.*

If a transfer is made within 90 days of the effective date of the original entry, answer questions 1 and 2 only; if over 90 days, answer all four questions:

1. Why was this expense originally charged to the account from which it is now being transferred (in other words, explain the error or circumstances for originally charging the incorrect account)?
Per Northeastern University travel policy, no travel may be charged to sponsored research accounts prior to a business trip – the trip was booked in advance and paid for using a discretionary index as a holding account.
2. Why should this expense be transferred to the proposed sponsored research project account (in other words, provide an explanation as to how this expense benefits the project)?
PI Mickey Mouse traveled to Disney World for the EPCOT World Culture Technological Innovation Conference at Epcot Center to present a paper detailing his research on issues facing the displaced mouse diaspora.

3. Why is this cost transfer being requested more than 90 days after the original transaction?

Travel was booked several months prior to the conference to qualify for early bird paper submission discount.

4. How will you prevent this type of error from happening in the future?

Discretionary index was not charged in error. Travel costs are being allocated to the correct grant following the PI's return from the conference.

Cost Transfer Approved by:

Printed name: Donald Duck

Title: Grants Coordinator, Department of Anthropology

Email: d.duck@northeastern.edu

Signature: 

Date: 01/25/2023

Cost Transfer Form Example



Northeastern University
NU-RES Finance
Cost Transfer Explanation Form

This form should be completed for any Cost Transfers that reallocate expenditures onto sponsored projects (Fund 500XXX). The completed and signed form must be attached to the journal voucher form in K2. *Exceptions to the Cost Transfer Form requirement include journal vouchers submitted to re-class expenditures on the same Fund, deficit resolutions, cost allocations for tuition, and billing for core services.*

If a transfer is made within 90 days of the effective date of the original entry, answer questions 1 and 2 only; if over 90 days, answer all four questions:

1. Why was this expense originally charged to the account from which it is now being transferred (in other words, explain the error or circumstances for originally charging the incorrect account)?
This was charged to a discretionary index, but it belongs on this grant.
2. Why should this expense be transferred to the proposed sponsored research project account (in other words, provide an explanation as to how this expense benefits the project)?
This is related to the project SOW.

3. Why is this cost transfer being requested more than 90 days after the original transaction?

Forgot to JV funds before 90 days.

4. How will you prevent this type of error from happening in the future?

Submit JVs before 90 days.

Cost Transfer Approved by:

Printed name: Donald Duck





Title: Grants Coordinator, Department of Anthropology

Email: d.duck@northeastern.edu

Signature:

Date:

Cost Transfer – Explanations


Insufficient 	Sufficient 
To transfer expense to grant.	Per meeting with PI, Fisher lab supplies in the amount of \$585 are in direct benefit to NIH grant fund 500XXX. Lab supplies allow the research team to identify variants...
Expense is relevant to the grant SOW.	
To correct an allocation error.	To transfer 50% of the maintenance costs to the PI's DHS project. The equipment is to be used equally between the two related projects. The administrator was not informed by the PI that the equipment was also going to be used for the DHS award...
Forgot to transfer expense.	
Transfers between similar projects.	
Correcting charge to wrong fund.	Research team placed printing order from a project which ended. This transfer moves \$250 in printing costs to NSF grant 512XXX. Agendas and questionnaires were distributed to NSF grant participants during a training session hosted January 10th, 2023...
Allocate costs that were budgeted.	
Remove costs posted after the period of performance.	
Unacceptable 	Why? 
Charged to another grant to expedite order.	These explanations highlight unallowable practices and lack of internal of controls at NU. Cost transfers are not an award management tool and should not be used to balance out projects.
Transfer expenses to spend unused project balance.	
To clear deficit caused by overruns.	

Supporting Documents - Examples

Backup #1: Expense report showing original postings (source: ePrint, Cognos). Highlight the transactions being transferred. This confirms the “Original Transaction Date” & “Credit” side of the JV are accurate.

Report ID: FZR0091		Northeastern University				
Fiscal Year: 23		REPORT OF TRANSACTIONS BY FOAP				
		From Date: 08/01/2022 Through Date: 08/31/2022				
FUND:						
ORGN:						
Index:						
Account	Transaction	Rule	Doc	Document	Description	Revenue/Expense
Code	Date	Code	Type	Number		Activity

73027	31-AUG-2022	CON1	JV	F0117057	256754 CROWNE PLAZA	1,261.72
73491	31-AUG-2022	CON1	JV	F0117057	256754 MDPI AG	1,593.60
74233	10-AUG-2022	CON1	JV	F0116639	254150 HARVARD UNIV CENTRAL AR	4,636.94
74310	10-AUG-2022	CON1	JV	F0116639	254150 IMAPS-NEW ENGLAND	25.00
74310	10-AUG-2022	CON1	JV	F0116639	254150 HILTON HEAD 2018 WORKSHO	1,025.00
78301	10-AUG-2022	CON1	JV	F0116639	254150 COILCRAFT	88.00
78301	31-AUG-2022	CON1	JV	F0117057	256754 GGB INDUSTRIES	2,558.00




FIN0144

Research Expense Report by Grant/Fund (RESFIN)

Grant Code	Fund Code	Actual Transaction Date	Actual Document Col	Account Code	Account Description	Actual Transaction Description	Actual Transaction Amount
G0000		Jan 9, 2023	I1122726	74800	Consulting Services-	xxxxxxxxxxxxxxxxxxxx	\$815.02
G0000		Jan 5, 2023	I1122184	74800	Consulting Services-	xxxxxxxxxxxxxxxxxxxx	\$1,850.00
G0000		Jan 5, 2023	I1122188	74800	Consulting Services-	xxxxxxxxxxxxxxxxxxxx	\$937.50
G0000		Jan 9, 2023	I1122699	74800	Consulting Services-	xxxxxxxxxxxxxxxxxxxx	\$1,075.00
G0000		Jan 9, 2023	I1122700	74800	Consulting Services-	xxxxxxxxxxxxxxxxxxxx	\$1,400.00
G0000		Jan 10, 2023	F0119901	73021	Travel-Airfare	269815 DELTA AIR LINES	\$664.20
G0000		Jan 10, 2023	F0119901	73027	Travel-Lodging	269815 MARRIOTT HOTELS	\$498.77

Backup #2: Copies of corresponding receipts or invoices. Provide a screenshot of myMarket order, upload the original Concur report with receipts, etc. For meals, be sure to remove alcohol or other unallowable costs.



Order # [REDACTED] for Fisher Scientific

Order History

Current status: **Sent**

2021-05-03 12:23:01

[REDACTED]

2021-05-03 12:30:03

[REDACTED]

Shipping Information

Name: [REDACTED]

Bldg / Room / Dept: [REDACTED]

Address Line 1: [REDACTED]

Address Line 2: [REDACTED]

Payment info

Index	Account Code	Activity Code	Location Code	Amount
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Line	Item #	Product Name	Shipping	UOM	Unit Price	Quantity	Subtotal
1	02707134	1-200UL YLLW LG ORIFICE 960PK		CS	US\$219.42	1	US\$219.42
2	02707406	1250UL TIP RACK 960/PK		CS	US\$183.84	2	US\$367.68
3	02707411	300UL TIP RACK RELOAD 960/PK		PK	US\$30.15	1	US\$30.15

Report Name :

User
User Name :
User ID :

Report Header
Policy :
Business Purpose :
Report Id :
Receipts Received :
Report Date :

Transaction Date	Expense Type	Business Purpose	Vendor	City of Purchase	Payment Type	Amount
11/02/2022	Parking Expense -74200	Research	MasParc/Laz Parking	Boston	Cash/Personal Credit Card	\$28.00
Allocations : 100.00% (\$28.00)						

MASPARC
POWERED BY LAZ PARKING

MasParc Northeastern University
Northeastern University
10 Gainsborough Street
Boston, Massachusetts 02115
(617) 262-9851

Date: 10 24 AM 02 Nov 2022
Receipt #: 278472263
Ticket #: 10411550
Arrived: 9 12 AM 02 Nov 2022
Departed: 10 24 AM 02 Nov 2022
Total Duration: 1 hr 11 mins
Parking Fee: \$28.00
Tax \$0.00
Total: \$28.00

Compliance Review

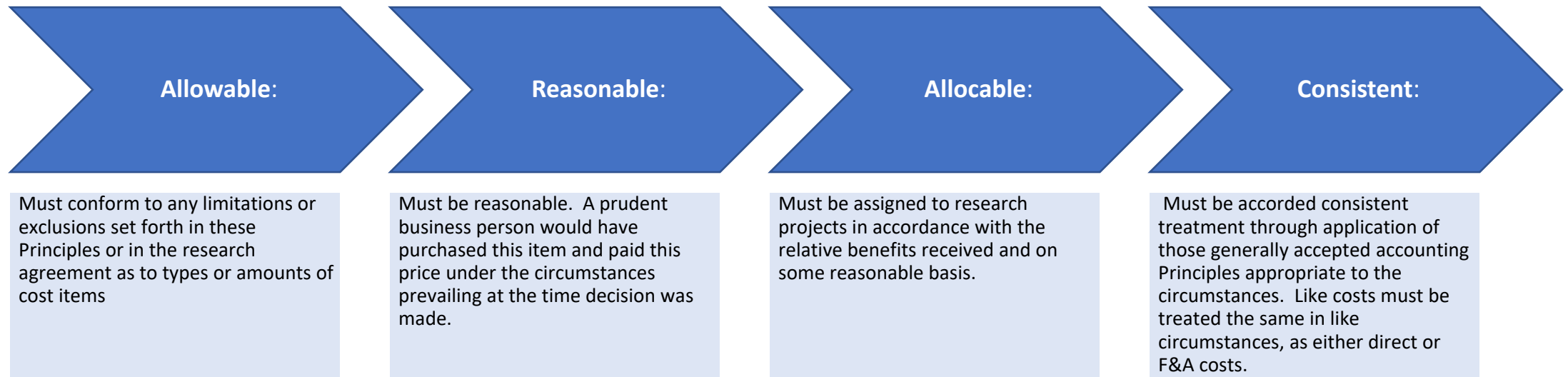
When cost transfers are moving expenditures onto projects, it is critical that the transfer meet the rules of allowability. The following are considered during the review process:

1. Is the project/fund active? Are funds available?
2. Did the expense occur within the allowable period of performance?
3. Did the PI or delegate approve the request? (Is the CT form signed?)
4. Does the request clearly explain how the expense benefits the receiving project?
5. Are these costs allowable according to the award's terms and conditions?
6. Are the costs reasonable and do they meet the four key cost principles?

Other general requirements:

- Debit/credit amounts, index/fund numbers, and account codes are accurate.
- Backup documentation showing the original charges in Banner is included.

Key Cost Principles



Areas of Scrutiny

Questionable transfers that will raise an audit flag:

- Missing or unsigned Cost Transfer form.
- Missing or incomplete backup.
- Transferring expenses from an overspent sponsored project.
- Transfers that appear to spend out a project.
- Transfer of an expense that was previously transferred.
- Transfer to a project after the project end date.



Auditor Inquiries (from FY22 UG):

- *“Need original invoice or equivalent document showing PI/delegate approval.”*
- *“Is there any support you could provide to validate the split out of these expenses between grants?”*
- *“This expense was recorded two months after the grant ended. In addition, it was transferred 5 months after. Was this grant extended? Why was this expense transferred to this grant if the grant was already expired?”*

Areas of Scrutiny

Banner Reference

Auditors receive full listing of transactions for the Fiscal Year. The Banner reference field that is entered into JV will display as the new “Transaction Description” in all expense reports.

- Avoid using justifications like “Error”, “Wrong Account”, etc. as this will alert auditors:

DEBIT				
#	INDEX	FUND	ACCOUNT	AMOUNT
1				
#	BANNER REFERENCE (35 CHARACTER LIMITATION)			
1	Mischarge on Incorrect Account			

FY Transaction Report - UG audit

Grant Code	Fund Code	Actual Transaction Date	Document Type Description	Actual Document Code	Account Code	Account Description	Actual Transaction Description	Actual Transaction Amount
G000		10/31/22	Journal Document	K0023353	73065	Animal Care Expense	Year 2 Clean Up	\$ (6,626.28)
G000		7/8/22	Journal Document	K0021305	74320	Food	Charged to incorrect account	\$ 243.30
G000		9/23/22	Journal Document	K0022594	73301	Office Supplies	Allocated in error - Concur	\$ 300.00
G000		8/24/22	Journal Document	K0022103	78230	Licenses-Accreditation	Accidentally charged to wrong Index	\$ 476.00
G000		9/7/22	Journal Document	K0022449	74601	Participant Costs - Other	2 Transactions \$656 + \$777.26	\$ (1,433.26)
G000		9/7/22	Journal Document	K0022449	78010	Subject Money	2 Transactions \$656 + \$777.26	\$ 1,433.26
G000		11/28/22	Journal Document	K0024078	73003	Capital Equipment-Laboratory	Cost transfer to grant	\$ 25,465.71

- Instead, be sure to enter the original transaction’s “Document Number” or “Description” as the reference:

Account Code	Transaction Date	Rule Code	Doc Type	Document Number	Description	Revenue/Expense Activity
73491	31-AUG-2022	CON1	JV	F0117057	256754 MDPI AG	1,593.60
74233	10-AUG-2022	CON1	JV	F0116639	254150 HARVARD UNIV CENTRAL AR	4,636.94
74310	10-AUG-2022	CON1	JV	F0116639	254150 IMAPS-NEW ENGLAND	25.00
74310	10-AUG-2022	CON1	JV	F0116639	254150 HILTON HEAD 2018 WORKSHO	1,025.00
78301	10-AUG-2022	CON1	JV	F0116639	254150 COILCRAFT	88.00

Other JV Transactions

Not all journal vouchers meet the definition of a Cost Transfer. The following are transactions processed via JV, which are not considered Cost Transfers and do not require the explanation form.

Expense Reclass	Deficit Resolutions	Tuition Allocation	Lab Recharge Fees
<ul style="list-style-type: none"> Reassigns expenses from one account code to another within the same Index/Fund number. Charges remain under the same project and simply move to a different cost category. 	<ul style="list-style-type: none"> Transfers a deficit by moving unallowable direct cost expenditures as a lump sum to an Operational/Discretionary fund. Corresponding IDC credits are auto calculated during nightly feeds. 	<ul style="list-style-type: none"> Tuition allocation JVs are submitted to charge tuition to a sponsored program JV is necessary since NU does not currently have a mechanism to charge tuition directly to a sponsored project. 	<ul style="list-style-type: none"> Used to charge internal laboratory/core fee services to sponsored projects JVs are required since NU cannot issue a check to another NU department.
<ul style="list-style-type: none"> ✓ Index/Fund number is the same on both debit and credit sides. The expense is not being transferred off the grant. 	<ul style="list-style-type: none"> ✓ Debit: Operational or Discretionary Index ✓ Credit: 5xxxxx (research project in deficit) ✓ Account Code: 78070 – Research Transfer Account 	<ul style="list-style-type: none"> ✓ Debit: Fund 5xxxxx (research project receiving tuition expenses) ✓ Credit: Operational/Discretionary Fund (where charges originated) 	<ul style="list-style-type: none"> ✓ Debit: Fund 5xxxxx (research project receiving expense) ✓ Credit: Operational or Discretionary Fund (receives payment for providing services)

Key Takeaways

- Cost Transfers are submitted by PI/College in K2 to reassign non-salary expenses from one project/fund to another.
- Cost Transfer Forms must be:
 - Complete (all questions answered)
 - Detailed (clearly explains why the original charge was miss-directed and why it is appropriate for the fund being debited)
 - Signed by the PI or delegate
- Cost Transfer JVs should only include direct costs (applicable IDC will auto-calculate.)
- Not all JVs are considered Cost Transfers.
- Costs split between multiple funds should include an explanation as to how the % of allocation for each fund was determined.
- NU-RES Finance reviews Cost Transfers to ensure:
 - Cost Transfer Forms are completed and signed.
 - Expenses comply with all four cost principles and occurred within the period or performance.
 - Debit and Credit funds are correctly assigned, funds are active, and balances are sufficient.
 - Supporting documentation is adequate:
 - Original receipts or invoices indicating the item(s) charged.
 - Transaction-level report illustrating the expense charged on the account being credited.
 - JV Banner Reference section indicates the Document number for the original charge.
 - JV Detailed Explanation section clearly explains how the expense benefits the project being charged.

Resources

- [Policy on Cost Transfer](#)
- [Cost Transfer Form](#)
- [Journal Voucher K2 Page](#)
- [Journal Voucher User Guide](#)



Questions?



Thank You!

LVX

VERITAS

VIRTUS