

Cost Transfer Policy

Effective Date: This policy is effective on July 1, 1998

Applicability: This policy applies to all cost transfers to or from sponsored agreements, except pro-card reallocations under \$1,000

1. **INTRODUCTION**

A cost transfer is any adjustment or transfer of expenditures to/from an externally funded contract or grant account by means of a university (1) personnel action form or (2) journal entry form. **A personnel action form is used to adjust an allocation of effort that was processed in a prior month. A journal entry is used to adjust any non-salary charge that had previously been posted to an account (e.g., travel, materials, etc.).** Diligent review of financial records and timely communication between principal investigators and departmental administrators should prevent the necessity for transfers; however, under certain circumstances transfers may be appropriate.

The administration of cost transfers is extremely important and sensitive when federal funding is involved. Federal agencies, which sponsor agreements at UMASS, are especially concerned that costs can be specifically identified with the funded activity they benefit. Office of Management and Budget Circular A-21 explicitly states that expenses "...may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience." The Circular goes on to say, "Any cost allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements."

When sponsored agreement records are reviewed, inappropriate or poorly documented cost transfers can result in federal regulators denying reimbursement of these questionable charges or imposing other sanctions on the University, such as withdrawal of Expanded Authorities. Salaries, wages, goods and services that do not benefit another agreement may not be transferred to that agreement. Therefore, it is important to provide detailed written explanations justifying all cost transfers. Special care must be taken with cost overruns (i.e. cost transfers from sponsored agreements with cost overruns to agreements with fund balances). Cost overruns are considered "cost sharing" and must be handled in the manner described in section 6C of this policy.

2. COST TRANSFER REQUIREMENTS

The Controller's Office Grant Accounting Section is responsible for reviewing and approving all cost transfers. To be considered allowable, all cost transfers must be timely, documented and explained in detail, adhere to the sponsor's standards, and have all appropriate authorizing signatures. Cost transfers should be prepared and submitted as soon as the need for the transfer is identified, but under most circumstances, not later than 90 days from the original transaction date.

3. COST TRANSFER WITHIN 90 DAYS

Cost transfers involving sponsored projects (including payroll reallocations) that are processed within 90 days of the original transaction require approval signatures (e-mail is acceptable) from the principal investigator (PI), and the Controller's Office Grant Accounting Section.

4. COST TRANSFERS OVER 90 DAYS

Only in the case of exceptional circumstances will cost transfers (including payroll reallocations) be permitted more than 90 days after the original charge or effort certification. However, all transfers to correct errors in the original charges will be made, regardless of the timing. The reasons why the cost transfer was over 90 days after the original charge must be documented in detail, and the transfer will require the signature (e-mail is acceptable) of the principal investigator (PI), and the Controller's Office Grant Accounting Section.

5. COST TRANSFER CONSIDERATIONS

In general, cost transfers will result from one of the two situations detailed below. In either of these cases, it is critical that the specific situation necessitating the transfer be fully documented and supported by all relevant back-up material. Relevant back up material would include a copy of the original accounting report expenditure and a written justification of why the transfer is appropriate.

- A) Clerical error correction: Correction of errors is required and must be fully explained.

- B) Cost benefiting more than one sponsored agreement: When a particular charge to a sponsored agreement benefits another agreement, because of the interrelationship of the work involved, that charge may be transferred to the other agreement provided that: (1) The initial charge could appropriately have been made to the other agreement, (2) the transfer explanation is clear as to why the particular charge is appropriate to either of the agreements, and (3) the transfer is processed within 90 days of the original transaction. In some cases, transfers involving "related work" must be approved by the Sponsoring Agency.

6. ISSUES RELATED TO COST TRANSFERS

The situations detailed below are often encountered in the administration of sponsored agreements.

- A) **Pre-award Costs.** For the effective and economical conduct of sponsored projects it is sometimes necessary for costs to be incurred prior to the receipt of the award document and actual funding. OMB Circular A-110 generally allows these costs up to 90 days before the award. In such cases, departments should request that OGCA approve the opening of a new sponsored account. The early account number will become the permanent account number when the award is effective and no cost transfers will be required.
- B) **Continuation Costs.** If a continuation award is anticipated after the end date of the current award, costs may continue to be charged to the active account, if approved by OGCA.
- C) **Closeout of Sponsored Project Account.** Principal investigators and department administrators overseeing sponsored agreement accounts should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not reimbursable. PI's should check the original sponsored agreement and/or Controller's Office if they are uncertain about the allowability of a certain expense prior to charging the sponsored agreement account. If unallowable costs have been incurred, they must be removed from the sponsored agreement account and charged to an appropriate departmental account. Generally, costs incurred beyond the project end date are not allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of the sponsored agreement.

Cost overruns on a sponsored agreement should be transferred to the responsible department's account in object code 9400, through a journal entry form completed by the Controller's Office Grant Accounting section.

(D) **Unexpended Balances.** Unexpended sponsored funding at the close of a project must, in most cases, be returned to the sponsor. Exceptions are fixed price contracts, agreements allowing carry-forward of funds, and Expanded Authorities allow institutions to internally approve no-cost extensions. For clarification of the terms of a specific sponsored agreement, contact the Office of Grant and Contract Administration or The Controller's Office, Grant Accounting Section.