

University of Massachusetts, Amherst

Cost Transfer Policy

Effective Date: November 1, 2016

Applicability: This policy applies to all cost transfers to or from sponsored awards.

1.) Introduction:

A cost transfer can occur:

- Between two sponsored projects
- From a non-sponsored fund to a sponsored project
- From a sponsored project to a non-sponsored fund

A cost transfer to or from a sponsored award is processed either with a [personnel action form](#) (PAF) or a [non-payroll cost transfer form](#) (NPCT). Our campus is replacing the paper PAF with an Electronic or ePAF form in the near future.

A personnel action form is used to adjust an allocation of effort that was processed in a prior month. A non-payroll cost transfer form 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 of cost transfers, however, under certain circumstances transfers may be appropriate.

Why can cost transfers be problematic? A cost that is originally placed on a project is certified for allowability, allocability, and reasonableness tests and directly benefits a sponsored project. A cost transfer invalidates that original certification.

The most problematic cost transfers are 1.) Between two sponsored projects 2.) Occurring more than 90 days after the original transaction 3.) At the end of a project 4.) Without adequate explanation 5.) Clearing a deficit off a project or 6.) Salary transfers that invalidate certification or other controls.

The administration of cost transfers is extremely important and sensitive, especially when federal funding is involved. Federal agencies who sponsor agreements with our University are especially concerned that costs can be identified specifically with the funded activity they benefit. *2 CFR 200 Uniform Administrative Requirements* specifically states that “any cost allocable to a particular federal award under the cost principles may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons.” Therefore, salaries, wages, goods and services that do not benefit another agreement may not be transferred to that agreement. Cost transfers from sponsored awards with cost overruns to sponsored awards with fund balances are unallowable, cost overruns must be transferred to non-sponsored accounts.

When sponsored award records are audited or reviewed, inappropriate or poorly documented cost transfers can result in a denial of reimbursement or other sanctions on the University. Therefore, it is important to provide detailed written explanations justifying all cost transfers.

Last Updated 11/1/16

Cost Transfer Requirements

The Research Accounting team in the Controller's Office is responsible for reviewing and approving all cost transfers involving sponsored projects. In order for a cost transfer to be allowable, the transfer must be clearly documented, explained in detail, adhere to the sponsors terms and conditions, and be properly signed by the PI, Co-PI, or PI's delegate.

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. Any transfers requested when more than 90 days require additional justification for delay.

Cost Transfer Considerations

In general, cost transfers will result from one of these two situations below. In either case, it is critical that the specific situation necessitating the transfer be fully documented and supported by all relevant back-up material. Back-up material is a pdf copy of the original accounting report UMGM7062 or Summit report in order to provide the transaction detail needed to complete the transfer.

- A.) Clerical error correction: Correction of error(s) is required and must be fully explained
- B.) Cost benefitting more than one sponsored agreement: When a particular charge to a sponsored agreement benefits another agreement due to the interrelationship of the work involved. That charge may be allocated in proportions that can be determined without undue effort or cost, and be allocated to the projects based on proportional benefit.

2.) In Conclusion

Ongoing monitoring of sponsored projects to include correction of incorrectly charged expenses is expected. If an unallowable cost has been incurred, it must be removed from the sponsored award project.

All cost transfers must be well documented and explain why the cost transfer is necessary, any transfers to a sponsored project must explain how the expense benefits the sponsored project.

Helpful Links:

<http://www.umass.edu/controller/journal-entry-guide>

[http://www.umass.edu/controller/sites/default/files/Journal Attachments.pdf](http://www.umass.edu/controller/sites/default/files/Journal_Attachments.pdf)