

# Research Administration PRO Series

“Cost Transfers”

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University of  
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Amherst **BE REVOLUTIONARY™**



# WHAT IS A COST TRANSFER?

**A cost transfer is an expense that is transferred from one account to another after the expense was initially recorded in the financial accounting system (PeopleSoft).**

- **Payroll**

- A personnel action is initiated to adjust an allocation of effort that was processed in a prior month.

- **Non-Payroll**

- A non-payroll cost transfer is initiated to adjust any non-salary expenses (i.e. supplies, travel) which posted to an incorrect account.

bank card transactions

expense reimbursements

vouchers/invoices

# WHAT IS A COST TRANSFER? (CONTINUED)

**Campus policy defines cost transfers as a transfer of expenses to or from a sponsored project.**

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

Late transfers are defined as more than 90 days after the original transaction date or assignment

[https://www.umass.edu/controller/sites/default/files/Cost\\_Transfer\\_Policy.pdf](https://www.umass.edu/controller/sites/default/files/Cost_Transfer_Policy.pdf)

# REASONS FOR A COST TRANSFER

- To move costs from a non-sponsored account to a sponsored account once an award is established
- To move appropriate and approved pre-award costs to a sponsored account
- To correct errors (with the understanding that a corrective action should be implemented)
  - administrator misunderstood the PI's instructions for allocating the cost
  - administrator didn't reallocate the bank card transaction within 30 days
  - the PI has multiple funding sources and provided the incorrect speed type and account
- To allocate a cost that benefits more than one sponsored project
  - 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.



# UNACCEPTABLE REASONS FOR A COST TRANSFER

- To transfer costs to resolve an account overdraft to another sponsored account
- To transfer costs to spend the balance of an award

# WHY ARE COST TRANSFERS RISKY?

- A cost that is originally placed on an account is certified for allowability and allocability tests and directly benefit the project.
- A cost transfer invalidates that original certification.
- NIH considers “cost transfers to be a barometer of the effectiveness of an institutions accounting and business systems.”
- Invoices to sponsors are impacted by cost transfers

# UNIFORM GUIDANCE 2 CFR 200

“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.”

- **Heavy focus on Internal Controls**

- Process implemented by a non-federal entity to provide reasonable assurance regarding the achievement of objectives (effectiveness and efficiency of operations, reliability of reporting, compliance).

# WHAT TYPES OF COST TRANSFERS ARE PROBLEMATIC?

- Late transfers, more than 90 days after the original transaction
- Transfers at the end of the project period
- Transfers with inadequate explanation/justification
- Transfers between two projects, that clears a deficit off one of the projects
- Repeating (2<sup>nd</sup> salary transfer) for the same individual and time period
- Salary transfers which invalidate certification



# PROCESSING COST TRANSFERS-SALARY



- A personnel action form or EPAF is used to adjust an allocation of effort that was processed in a prior month.
- When a payroll action is submitted with a retroactive change in funding, a justification for that change is required.
- If the change is more than 90 days from the original assignment, a reason for lateness should also be provided.
- The justification should be entered in the comment section or attached on a separate sheet.

Funding:


HR Combo Code	[REDACTED]	HR Combo Code	[REDACTED]
%	[REDACTED] %	%	[REDACTED] %
Budget Amt \$	[REDACTED]	Budget Amt \$	[REDACTED]
Funding End Date	[REDACTED]	Funding End Date	[REDACTED]
Fund	[REDACTED]	Fund	[REDACTED]
Fund Dept ID	[REDACTED]	Fund Dept ID	[REDACTED]
Project/Grant	[REDACTED]	Project/Grant	[REDACTED]
(PS) Account	[REDACTED]	(PS) Account	[REDACTED]
PI Signature	_____	PI Signature	_____

Comments & Contingencies [REDACTED]

# PROCESSING COST TRANSFERS-NON PAYROLL

- Non Payroll Cost Transfer Request Form:  
[https://www.umass.edu/controller/sites/default/files/Non-Payroll Cost Transfer Request.pdf](https://www.umass.edu/controller/sites/default/files/Non-Payroll_Cost_Transfer_Request.pdf)
- Common errors include a lack of justification or backup
  - Need detail of expenditures being transferred and **how expenditures which are transferred to a sponsored project are allocable**. If transfer is from a sponsored project to a non-sponsored fund, a reason for the transfer is still required.
  - If over 90 days, need a reason for “lateness”
  - Need a pdf version of the 7062 report or Summit report showing the original transaction.

Internal use only: Grant Accountant Approval and Date: \_\_\_\_\_

 Research Accounting in the Controller's Office  
**Non-Payroll Cost Transfer Request**

Check, if processing an on-line journal entry, skip section B and complete sections A, C & D.

Grant Accountant: \_\_\_\_\_ Date of Request: February 20, 2015 Date Stamp

A. Transfer Expense To (Debit): \_\_\_\_\_ Transfer Expense From (Credit): \_\_\_\_\_

Speed Type: \_\_\_\_\_ Speed Type: \_\_\_\_\_

Project Grant #: \_\_\_\_\_ Project Grant #: \_\_\_\_\_

Fund: \_\_\_\_\_ Fund: \_\_\_\_\_

Dept. ID: \_\_\_\_\_ Dept. ID: \_\_\_\_\_

Class Code: \_\_\_\_\_ Class Code: \_\_\_\_\_

B.

Transaction Account Code	Original Transaction Date	Transaction Description	Amount

Total: \$ -

C. JUSTIFICATION (Required)

1. Describe in detail the expenditure(s) that are being transferred and how the expenditure(s) are applicable to the project receiving the transfer:

2. If more than 90 days have passed since the expenditure(s) posted, explain the delay:

D. I hereby certify that the expenditures listed above or attached were incurred for the goals, objectives and benefit of the grant named and are appropriate and necessary to the performance of the project. In the event of a subsequent audit disallowance of this cost transfer for any reason, the Principal Investigator agrees to be responsible for handling this expense in a manner consistent with UMASS policy.

Preparer's Signature \_\_\_\_\_ Date \_\_\_\_\_ Debit PI's Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ Date \_\_\_\_\_

Preparer's Printed Name \_\_\_\_\_ Phone # \_\_\_\_\_ Credit PI's Signature \_\_\_\_\_ Printed Name \_\_\_\_\_ Date \_\_\_\_\_

# PROCESSING COST TRANSFERS- AUTHORIZATIONS REQUIRED

- The PI or PI delegate must authorize
- In order for a PI to delegate signing authority, a grant delegation form must be on file with the Controller's Office
- [https://www.umass.edu/controller/sites/default/files/Signature\\_Delegation\\_Sponsored\\_Grants.pdf](https://www.umass.edu/controller/sites/default/files/Signature_Delegation_Sponsored_Grants.pdf)
- Delegation requires cost allowability training. A new/updated training is pending.

**University of Massachusetts / Amherst – Delegation Form for Sponsored Grants**  
If you are delegating authority to an individual for both sponsored and non-sponsored chartstrings you can use this form.  
A non-sponsored form is not required.

To: [Findelagation@admin.umass.edu](mailto:Findelagation@admin.umass.edu)

**\*\*Copy to departmental grant file(s) for auditing purposes**

**1.) By means of this form, I am delegating signing / approval authority for my sponsored grant account(s).** The delegate must be a regular employee of the University (students are not allowed to be delegated this authority). Delegation of approval authority should not create a situation where an employee is approving expenses of another employee of equal or higher position without being delegated supervisor approval. Delegation of supervisor approval should not create a situation where an employee is approving expenses of their own supervisor.

Name (Principal Investigator/Delegating Official): \_\_\_\_\_ Employee ID: \_\_\_\_\_  
Name (Delegate): \_\_\_\_\_ Employee ID: \_\_\_\_\_

**2.) This delegate may approve expenses related to my research for the following areas of delegation:**

Bankcard       Contracts       Personnel  
 Buyways Workflow       Emp Reimb / Travel / Business Expense Reports       Journal Entries / Recharges       Supervisor Approval as required on Travel / Business Expense Reports

**Grant Account(s) to be delegated, specify the level of delegation:**  
DeptID Level (all current and future projects under DeptID): \_\_\_\_\_

or Individual Chartstring(s):  
SpeedType    Fund    Dept. ID    Program    Class    Project

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**\*\* Once a form is on file in the Controller's Office and training for delegated official (if required) is completed, additional chartstring(s) may be added with an email from the delegating official (cc'ing the delegate) to the Controller's Office [Findelagation@admin.umass.edu](mailto:Findelagation@admin.umass.edu) for the addition(s).**

**3.) Effective Date of Delegation:**  
Start Date: \_\_\_\_\_ End Date: \_\_\_\_\_  
Indefinite (or the end date of the project): \_\_\_\_\_

**PI Responsibility Statement:** I understand and acknowledge that I am responsible for the expenses that charge to my grant and it is my responsibility to review my accounts for accuracy. All costs must be reasonable and allocable, conforming to the sponsored agreement and [Controller's Office Policies](#). See roles and responsibilities of PI's at: <http://www.umass.edu/research/policy/pi-and-co-pi-roles-and-responsibilities>. It is my responsibility to notify the Controller's Office upon termination of this delegation with a [termination of signature delegation form](#). The authority delegated is not subject to sub-delegation without my prior approval. I understand that this delegation can be revoked by the Controller's Office for non-compliance.

Signature of Delegating Official/Principal Investigator \_\_\_\_\_ Date \_\_\_\_\_

**Delegate Responsibility Statement:** I am fully aware of the intent, scope, and forecasted activities of this research, and as such, will be able to verify that the nature of the expense being approved are required to carry out the research as laid out in the original award. If I cannot approve an expense based on these criteria, evidence of PI approval will be obtained and available for post audit. All costs must be reasonable and allocable, conforming to the sponsored agreement and University policy. I am required to complete the Controller's Office "Cost Allowability for Federal Grants" training if I am delegated the authority to approve charges on a Sponsored grant. I have completed the training (if required) at <http://owl.oit.umass.edu/>.

If you need to be registered for the training, email Joanne Wheeler with your NetID to [wheeler@admin.umass.edu](mailto:wheeler@admin.umass.edu)

Signature of Delegate \_\_\_\_\_ Date \_\_\_\_\_

Signature of Controller's Office \_\_\_\_\_ Date \_\_\_\_\_

Rev. 02/2011

# CRITERIA FOR COST TRANSFERS

- **In accordance with UMass and Sponsor policies**
  - Allowable, allocable, reasonable, and consistent
- **Timely**
  - Should be prepared and submitted as soon as the need for a transfer is identified, and no later than 90 days after the transaction date. Transfers exceeding this time frame require additional Justification.
- **Fully Documented (who, what, when, why?)**
  - Cost transfers must contain a justification that clearly shows:
    - Benefit to receiving project
    - Allowability and allocability to the new sponsored project
    - Reason for transfer
    - Systemic causes are corrected so they will not recur
    - Review by knowledgeable person, PI. Fully approved.

**Please note: sponsors may have more restrictive guidelines on cost transfers**

# ROLES AND RESPONSIBILITIES

- PI's-Take primary responsibility for ensuring compliance, monitoring expenditures, timely correction of errors, and proper allocation of expenses.
- Business Managers-Assist PI in the timely review and reconciliation of expenditures, prepare cost transfers and maintain adequate documentation of costs. Ensure that costs transferred are allocable, allowable, and reasonable. Submit timely cost transfer requests.
- Research Accountant-Reviews cost transfer to ensure completeness of request and grant allowability.



# COST TRANSFERS AND EFFORT REPORTING

- Effort certification is completed annually for the University's fiscal year 7/1-6/30. Effort reporting occurs in the Fall semester following the end of the fiscal year and is open for 45 days.
- Any subsequent changes (re-certification) calls into question the reliability of the certification process. Retroactive salary cost transfers impacting previously certified effort percentages require re-certification.

# REDUCING RISK-IMPLEMENTING DEPARTMENT INTERNAL CONTROLS

- Regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
  - Reallocate bank card transactions regularly
  - Review accounts regularly
- Initiate a cost transfer as soon as a need is identified (within 90 days of the transaction date)
- Fully explain the reason for the cost transfer, the benefit and allowability on the receiving project.
- Identify why the error happened and implement a corrective action to reduce errors in the future, particularly if the cost transfer is late.

# JUSTIFICATIONS-REQUIRE CLEAR EXPLANATION

- Every cost transfer transaction should be adequately supported and explained so that it can “stand alone” if pulled for an audit. An explanation which merely states that the transfer was “made to correct an error” or to “transfer to correct project” is not sufficient.
- Be detailed and avoid cookie cutter justifications.

Answer why the fund being charged is appropriate, how amounts are determined/allocated, why and how clerical error occurred, add corrective actions for the future.

- Describe who played a role, what circumstances caused the need for a transfer, when is the month of occurrence (key dates), where is the location of the event or occurrence (if it is significant), why is a transfer required.

# SAMPLE OF NON-PAYROLL COST TRANSFER JUSTIFICATION

**C.1. Describe in detail the expenditure(s) that are being transferred and how the expenditure(s) are applicable to the project receiving the transfer:**

**Sample:**

**1.) Questionable Justification- “To charge appropriate fund”**

**Reason Why Justification is Questionable-This does not adequately explain who, what, when, where, or why.**

**There is no explanation for how expenditures are allocable to the project receiving the transfer. No corrective action.**

**Remedy- Answering the 5 W’s, detail allocability, and include corrective action.**

**Who (grad student John Smith), What (lab supplies), When (month of October), Why (students effort was on new fund), where (stockroom). Corrective action: inform stockroom.**

**Adequate Justification:**

**To transfer 100% of lab supplies purchased in the stockroom by graduate student John Smith for the month of October to reflect the fund where the supplies were exclusively used and the students effort was charged. The stockroom has been notified of the funding change for this student.**

# SAMPLE OF NON-PAYROLL COST TRANSFER JUSTIFICATION

**C.1. Describe in detail the expenditure(s) that are being transferred and how the expenditure(s) are applicable to the project receiving the transfer:**

**Sample:**

**1.) Questionable Justification- To correct fund charged incorrectly due to error**

**Reason-Does not explain why and how the error occurred. Does not adequately explain who, what, when, where, or why.**

**There is no explanation for how expenditures are allocable to the project receiving the transfer. No corrective action.**

**Remedy- Answering the 5 W's, detail allocability, and include corrective action.**

**Who (PI John Smith ), What (microscope), When (12/9 Transaction), Why (bank card charge wasn't reallocated to the proper account within 30 days of the transaction, where (n/a). Corrective action:**

**Adequate Justification:**

**To transfer the expense for microscope purchased by PI John Smith's Bank Card on 12/9/20. The microscope is exclusively for John's bug research on P/G XYZ. John Smith's bank card is mapped to his RTF account, and the transaction wasn't reallocated within 30 days of the transaction. Going forward, the administrative team will be more diligent in reviewing bank card transactions at least Bi-weekly.**



# JUSTIFICATIONS-REQUIRE CLEAR EXPLANATION (LATENESS)

**If more than 90 days have passed since the expenditure(s) posted, explain the delay:**

**Bad examples:**

- 1.) We are short staffed**
- 2.) Lack of staff experience**
- 3.) Lack of communication between PI/Admin staff**



QUESTIONS??

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