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Cost Transfer Policy & Procedures

I. POLICY STATEMENT

University of Massachusetts Boston (UMB) has established the following policy for the processing of cost transfers to comply with the requirements of Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and federal agency policies and procedures.

II. SCOPE

All UMB personnel must be aware of the complex and detailed rules provided under Federal, State regulations, as well as terms and conditions of individual sponsored activities.

III. POLICY

In accordance with OMB, it is necessary to explain and justify transfers of charges onto federally funded sponsored awards**,** when the original charge was previously recorded elsewhere on UMB's general ledger (GL). Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal requirements. This document sets forth UMB's policy regarding cost transfers, including the transfer of payroll and other direct costs associated with sponsored projects.

UMB is committed to ensuring that all cost transfers, either in the form of an electronic personnel action form (ePAF) or a journal entry, are appropriate and are conducted in accordance with sponsor terms and conditions, applicable Federal/State regulations, and UMB policy. Cost transfers are for correcting errors and are not to be used as a means of managing available cash balances. Project funds are not interchangeable, and the integrity of each grant account must be maintained. Cost transfers should be timely and in accordance with the provisions of this policy. Cost transfers should be the exception and not occur frequently.

Cost transfer requests for expenses that are 90 calendar days or more from the original posting date require approval and additional documentation to comply with federal cost principles including being allowable, allocable, and reasonable. Exceptions to the 90 day rule include late award setups where the 90 days would start from the date the chartstring was made available to charge the award.

All principal investigators (PIs) and their business managers are responsible for ensuring that cost transfers that represent corrections of errors are made promptly. Cost Transfers must be supported by documentation that contains a complete explanation of how the error occurred and a correlation of the charge being transferred to the project to which the transfer is being made. Explanations such as "to correct an error" or "to transfer to correct project" are insufficient.

Cost Transfers to any sponsored project are allowable only where there is direct benefit to the sponsored project being charged. An over budget item or any direct cost item incurred during the conduct of one sponsored project may not be transferred to another sponsored project merely for the sake of resolving a deficit or an allowability issue. Cost Transfers should not be used as a means of managing awards.

Additional supporting documentation/explanation must be provided if any of the following conditions exist. The Cost Transfer is:

- more than 90 days from the original transaction date or award setup date;
- being executed due to the removal of a conflict of interest (COI) hold;
- in the final months of, or after, the award period for the award that is to receive the cost transferred cost; and/or
- related to summer salary for faculty with academic year appointments (9 month only).

Cost transfers that are generally unallowable include those transfers:

- that would affect a previously submitted final financial report or final invoice;
- that would affect a previously confirmed final expense certification;
- that would affect a previously approved carryforward request;
- related to animal or human subjects (gift cards) charges;
- related to overbudget items; and/or
- that would result in an immediate write-off of funds.

Contact ORSP for guidance if you have any of the above unallowable transactions. Exceptions are rare and would require both ORSP and school/department level review and approval. In the case where ORSP is assisting the department with cleanup or correcting system errors, the above may not apply.

ORSP has the authority to approve and submit cost transfers to UMB's controller's office to post to UMB's financial system. ORSP has the right to reject any cost transfer not meeting the requirements of this policy, while removing the inappropriate cost from the relevant award, as required. Cost transfers later to be found unallowable/inappropriate will be charged to the department's Research Trust Fund (RTF).

IV. RELATED DOCUMENTS

- UMB Late Cost Transfer Justification Form

V. ACRONYMS AND DEFINITIONS:

Cost Transfer is a transfer of an expense to/from a federally-funded sponsored award previously recorded elsewhere on UMB's General Ledger (GL).

Final Expense Certification is a form PI's and departments certify final award expenditures and authorize resolution of any pending encumbrances or trailing errant expenditures; used during the closeout process of a sponsored project.

Sponsored Projects are externally funded activities that must be separately budgeted and accounted for according to terms of the sponsoring organization, State regulation, and UMB policy. Sponsored activities are provided through grants, contracts, and agreements with any Federal Agency, State Agency, or non-Governmental Organization that supports research, training, instruction, public service and other activities.

VI. STANDARD OPERATING PROCEDURE –

PI/ Authorized Unit Designee Responsibility:
Each UMB PI and/or authorized unit designee is responsible for effectively overseeing and managing their sponsored projects based upon their knowledge of award terms and conditions and applicable federal, state, and institutional policies and procedures. PIs/Authorized Unit Designees are to perform periodic reviews (at least monthly) of charges to provide proper financial oversight to ensure the accuracy, allowability and allocability of charges and to provide adequate documentation in a timely manner.

Cost Transfer Request:
Cost Transfers that are required to correct errors or to achieve the proper, consistent, and equitable distribution of costs to sponsored projects will be allowed, provided adequate justification for the change is furnished by the requesting department and necessary approvals that certify the accuracy of the charges are received by ORSP.

- Payroll cost transfers, must be processed via electronic personnel action form (ePAF).
  - Please refer to the UMB HR training guide for assistance completing an ePAF.
- Non-payroll cost transfers must be processed via journal entry.
  - Please refer to the UMB Controller's webpage for assistance completing a journal entry.

Additional Documentation Requirements:
The following additional documentation must be included with all cost transfers:

- Report showing posting of original expense (e.g., Summit Transaction Detail Report, UMGM7062, etc.)
- Cost transfers processed within 90 days of the posting date will considered timely and do not require further documentation.
- Cost transfers processed after 90 days of the posting date (and/or from the award setup date) require a Late Cost Transfer Justification Form:
  - Since the federal regulations assume that cost transfers are exceptions, it is important to explain in writing the reason why the cost was not charged to the correct project originally and how it benefits the project to be charged. It is recognized that it will not always be possible to reconstruct with certainty why or how an error occurred, but in many cases it is apparent that an incorrect posting has been made because of a transposition of numbers in data entry or because of a miscommunication. In other cases, the fact that a charge is clearly allocable to a certain sponsored project will itself be evidence that the charge was mistakenly allocated originally to another sponsored project. The justification provided in support of the cost transfer should be in writing and will serve as an audit source document.

  - If inadequate documentation or justification is provided, the cost transfer request will be disapproved. For example, simply stating, “To correct an error” would not be an adequate justification.
  - Approval/Certification of the correctness of the charge by an organizational official
- ORSP will review the cost transfer request and forward to the appropriate central processing unit.

VII. Frequently Asked Questions

Please contact ORSP for additional guidance related to cost transfer requests.

VIII. COMPLIANCE

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards