

## Cost Transfer Procedures on Sponsored Projects

### I. Background

In accepting a grant or contract from a governmental agency, private foundation, industry, or other sponsor, the University of Maryland Baltimore County is obliged to comply with a number of regulations set forth by that sponsor. Among those obligations is the requirement that expenditures related to sponsored projects are properly allocated and documented. Costs must be allocated to a sponsored award in proportion to the actual benefit received by the award and correctly charged at inception.

However, it is unreasonable to expect 100% accuracy for all transactions, and therefore when errors are discovered, the university is committed to correcting them promptly. Frequent, late, or poorly explained cost transfers can raise serious questions about the accuracy of the transfer; the university's accounting system, and the university's internal financial controls.

### II. Definitions

- *Original Expenditure*

The appropriate sponsored project shall be charged when an expense is initiated in the university's accounting system. Additionally, costs directly charged to federally sponsored awards shall comply with the cost principles outlined in 2 CFR 200 which indicates costs must be:

- ✓ Allowable - the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and university policy and is necessary for the performance of the award;
- ✓ Reasonable - reflect whether or not the individuals concerned acted with due prudence with regards to the circumstances prevailing at the time the decision was made to incur the cost;
- ✓ Allocable - the cost has a direct benefit to the project being charged; and
- ✓ Treated consistently - like costs in similar instances are treated consistently throughout the university.

At no time shall other sponsored awards be used as holding accounts for expenses that will subsequently be transferred elsewhere, including competing or non-competing continuations of the same award which will require new project numbers without communication from the Office of Sponsored Programs.

- *Cost Transfer*

A cost transfer is the reassignment of an expense to or from a sponsored project after the expense was originally charged elsewhere. Cost transfers include reassignments of salary, wages, fringe benefits (payroll transfers via the Retro process) and other direct costs (non-payroll transfers via the Journal Entry process).

### III. Responsibility

Expenses shall be charged or allocated among awards at the time of the original purchase to avoid unnecessary cost transfers. Departments may utilize advance accounts where appropriate, ensuring costs are charged correctly to avoid unnecessary cost transfers.

The PI and departmental Business Manager are responsible for reviewing charges on their awards to ensure timely and accurate posting of expenditures and to identify legitimate errors. Once an error has been identified, the PI and Departmental Administrator will submit the required changes, ensuring that transfers of costs to sponsored projects are processed promptly.

Transfers of costs to any sponsored project are allowable only if the expense provides a direct benefit to the project being charged. An overdraft or any direct cost item incurred in the conduct of one sponsored project shall not be transferred to another sponsored project merely for the sake of resolving (1) an overrun, (2) an unexpended balance, (3) a disallowance.

Cost transfers shall not be used as a means of managing awards.

**Documentation** – All cost transfers shall be supported with documentation that contains a full explanation of how the error occurred and a correlation of the charge to the project to which the transfer is being made. An explanation merely stating that the transfer was made “to correct an error” or “to transfer to correct project” is not sufficient.

Transfers affecting multiple sponsored projects must provide approval from all appropriate PIs and/or Departmental Administrators whose projects are receiving the cost.

- Payroll Cost Transfers (via Retro process) **UPDATED**
  - Payroll cost transfers (retros) charging a sponsored chartstring that cause payroll distribution to differ from a previously certified and closed effort report are highly discouraged.
  - When submitting necessary payroll cost transfers (retros), please review the EE History Report and/or Statement of Payroll Charges by accounting period.
  - On-line retros are processed without submitting documents to Financial Services. However, copies of the original request form and EE History Report and/or Statement of Payroll Charges along with appropriate supporting documentation should be maintained in Department files and available upon request.
  - If the retro request affects more than one sponsored chartstring, all PIs or Department Administrators of the chartstring being charged must approve the retro request. This approval can be done via email and saved as part of the supporting documentation.
  - Payroll cost transfers impacting previously certified effort must be appropriately documented, as described above, but also requires that the effort report be recertified. The effort report will be automatically reopened and must be recertified by the same individual who certified the original effort report.
  - The supporting documentation must describe, in detail, the need for revisions of the original certification and must be signed by the Principal Investigator(s) on the award(s) being charged.
  - Contract & Grant Accounting will perform a review of payroll cost transfers affecting sponsored chartstrings to determine whether the transfers are in compliance with these procedures.
  - The Justification section of the retro request form is very important in explaining the need for the payroll correction and must follow all compliance rules affecting sponsored funds. An explanation

merely stating that the transfer was made “to correct an error” or “to transfer to correct project” is not sufficient. Retros must contain the following information in the Justification section:

- A detailed description of why the cost transfer is needed and how the error occurred. Why does this retro need to be processed?
  - A correlation of the charge to the project to which the transfer is being made. Why should this project pay for this expense; how does this charge relate to the scope of the project?
  - If over 90 days, also include an explanation as to why the error was not discovered and corrected within the required 90 day timeframe. What is being done to help prevent this from happening again?
  - If the retro request affects more than one sponsored chartstring, include an acknowledgement that ALL PIs or Department Administrators have approved the payroll cost transfer.
- Non-payroll Cost Transfers
    - When submitting non-payroll cost transfers, please attach a copy of the accounting ledger showing the original expenditure posting along with any additional appropriate supporting documentation necessary to complete the review of the transfer.

**Timing** - Cost transfers must be prepared and submitted within 90 days from when the transaction appears on the award. Cost transfers made after this period require additional scrutiny. All cost transfers affecting sponsored chartstrings that occur more than 90 days from the original charge being corrected must also contain an explanation as to why the error was not discovered and corrected within the required 90 day timeframe and must be signed by the PI.

Cost transfers moving costs onto a sponsored chartstring more than six months past the date of the original transaction will only be permitted under extenuating circumstances and only with the approval of the Cost Accountant/Analyst or designee for payroll cost transfers (retros), or the Assistant Director of Contract and Grant Accounting or designee for non-payroll cost transfers.