Cost Transfer Policy

Summary:

The University of North Carolina at Chapel Hill has a stewardship responsibility for all sponsored funds; proper management of sponsored project expenditures is essential to meet this obligation. The University recognizes that cost transfers are sometimes necessary to correct bookkeeping or clerical errors and to allocate closely related work that may support more than one project. Frequent, late, and inadequately explained transfers, especially those involving projects with cost overruns or unexpended balances, raise serious questions about the propriety of the transfers and call internal fiduciary controls into question. These activities may result in audit disallowances and monetary paybacks including penalties and fines. The following is the university’s policy regarding cost transfers associated with sponsored projects.

Policy Statement:

- The University is committed to ensuring that all cost transfers (either in the form of a labor distribution adjustment or non-salary journal entry) are appropriate and are conducted in accordance with sponsor terms and conditions, federal regulations and University policy. The Office of Sponsored Research (OSR) expects that costs directly charged to federally sponsored awards received by the University will comply with the cost principles outlined in the Office of Management and Budget 2 CFR Part 220 (OMB Circular A-21) or 2 CFR Part 200 (Uniform Guidance) as applicable.
- All Principal Investigators (PI) and their Business Managers are responsible for ensuring that transfers of costs to or from sponsored projects which represent corrections of errors are made within the time frames outlined in this Policy.
- Cost transfers must be supported by documentation which 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. Explanations such as “to correct an error” or “to transfer to correct project” are not adequate.
- Transfers of costs to a sponsored project are allowable only where there is direct benefit to the project being charged. An overdraft or any direct cost item incurred in 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.
- Salary and non-salary cost transfers must be prepared and submitted within 90 days from the accounting date except in cases where the sponsor’s (federal or non-federal) terms and conditions are stricter than UNC’s Policy.
  - Regardless of the timing, salary cost transfers imitated after an effort report has been certified are subject to additional documentation and justification.
- Any cost transfers submitted after the applicable 90 day time period will require review and approval by OSR and will be granted only under extenuating circumstances. Additional documentation and justification must accompany a cost
transfer request outside the 90 day period. Cost transfers to remove an unallowable or unallocable cost from a sponsored project must be completed regardless of timeframe.

**Procedure:**

The following procedures for the processing of cost transfers has been established to comply with the requirements of OMB Circular A-21, OMB Uniform Guidance, the policy of the National Institute of Health (NIH), one of the University’s largest sources of federal research funding, and the requirements of other federal sponsors.

Original charges should be directed to the appropriate benefiting sponsored project. If it is necessary to process a cost transfer that involves a sponsored project, a journal voucher should be initiated *within 90 days of the accounting date* and contain sufficient documentation and justification to support the cost transfer and withstand the test of a formal audit.

Under no circumstances is it acceptable for a cost to be charged to a project that it does not benefit. This practice is inconsistent with applicable cost principles and will result in improper financial reporting and inappropriate reimbursement from the sponsor.

**Cost Transfers within the 90 Day Time Period**

For cost transfers initiated within 90 days from the accounting date, provided the sponsor does not have a shorter time period, a journal voucher must be submitted and the journal voucher explanation must include the following:

- A detailed explanation of the reason for the transfer ("to correct error" or "to transfer to correct project" are not considered adequate reasons for transfers).
- An explanation of the division of the cost if only a portion of the original cost is being transferred.

Adequate documentation related to the transfer must be kept on file within the department until the applicable record retention requirement has been satisfied.

**Cost Transfers after 90 Day time period or after effort certification**

For cost transfers initiated outside of the 90 day time period or after effort certification in addition to the procedures for cost transfers within the 90 day time period, originators must answer a series of questions when processing the cost transfer:

- Why was this original expenditure not charged appropriately?
- Why should this charge be transferred to the proposed receiving project?
- Why is this cost transfer being requested more than 90 days after the original transaction date?
What steps will be taken to prevent this type of error from happening in the future?

Cost transfers after the 90 day time period must be approved by OSR. Also, certain sponsors, e.g., the Department of Health and Human Services, require that such transfers be approved in advance by the sponsor.

Adequate documentation related to the transfer must be kept on file within the department until the applicable record retention requirement has been satisfied.

Examples of circumstances where cost transfers may be allowable:

- Transfer of pre-award costs from a University funding source to a project, where pre-award costs are allowable pursuant the terms of the sponsored agreement
- Correction of a clerical error, often involving transposed or mis-typed characters.
- Reallocate costs when originally charged to a central administrative funding source and the cost or a portion of the costs are allocable to a sponsored project

Examples of unacceptable cost transfers:

- Transfers for purposes of fiscal expediency without regard to whether the cost is appropriate on the receiving project (e.g., reallocation of expenses from a project in deficit to a project with unexpended funds to clear the project in deficit).
- Transfers which do not explain why the error occurred and how the expense is appropriate to the project to which it is being moved
- Transfer of an expense that was previously transferred

Responsibilities:

It is the responsibility of each PI and departmental staff with delegated approval authority to:

- Review sponsored research projects on a regular basis (e.g. monthly) to ensure that all expenditures charged are correct and appropriate.
- Submit and approve cost transfer journals in compliance with this Policy and associated procedures.
- Retain hard copies of all supporting documentation of the cost transfer in accordance with applicable record retention requirements.
- Ensure that all personnel engaged in financial administration of federally funded awards are familiar with the University Cost Transfer Policy.

It is the responsibility of OSR to:

- Maintain this Cost Transfer Policy in accordance with the regulations set forth in Office of Management and Budget 2 CFR Part 220 (OMB Circular A-21) or 2 CFR Part 200 (Uniform Guidance) as applicable.
- Provide assistance in interpretation and implementation of this Policy.
- Provide training to campus on this Policy.
- Serve as final approver on cost transfers greater than 90 days from the accounting date.
- Periodically audit cost transfers over 90 days and after effort certification to ensure compliance with University and federal regulations.