



Policy 50.7: Cost Transfers

<i>Effective Date:</i>	July 1, 2012
<i>Last Updated:</i>	August 31, 2022
<i>Responsible Office:</i>	Office of Grants & Contracts Administration (GCA)
<i>Contact:</i>	Executive Director, GCA

Reason for Policy

Cost transfers present audit risk to the university. A cost transfer is an after-the-fact reallocation of an expense from one university fund to another fund. If a charge is initially posted to an incorrect fund number, a correcting entry is required to move the cost to the correct fund number. This policy explains how the need for a cost transfer arises, the requirements of a cost transfer, and the method for processing cost transfers through the accounting systems and in accordance with sponsor terms, regulations, and University policies.

Policy Statement

A cost transfer is the reassignment of expenditure from one fund to another fund. When the project receiving the expense is a sponsored grant or contract, special rules apply. GCA monitors and approves sponsored cost transfers pertaining to the salaries of personnel working on a sponsored project as well as supplies, equipment, travel, and other expenses.

Faculty and staff need to make every effort to allocate sponsored project costs to the appropriate university fund at the time the costs are initially incurred. The university allows timely cost transfers involving sponsored projects in the following circumstances:

- error correction
- transfers between sub-funds of the same sponsored project
- disallowed costs
- clearing an overrun at the end of a project.

It is the responsibility of the Principal Investigator (PI) to review expenditure activity on all awards regularly to ensure all expenses are directly related to the project and allowable, reasonable, and allocable under the terms of the sponsored agreement. GCA and campus research administrators will assist the PI in interpretation of the definitions of allowable costs as defined in [2 CFR 200 \(Uniform Guidance\)](#), the State of North Carolina financial regulations, UNC Charlotte policy, and guidelines published by the sponsor.

Cost transfers may be initiated for personnel or non-personnel costs. In the case of personnel costs, the time and effort certification process may determine that an error has occurred in allocating

payroll to a project. It is important that the payroll be reallocated through payroll administrative processes and recertification of effort be completed in a timely manner.

Cost transfers that include any direct cost assignable to an agreement that is not payroll certification are to be transferred *within 90 days of incurring the expense*, and must be done in accordance with all governing regulations. If unallowable project expenditures are discovered, they will be removed without regard to time limits.

Transfers that are frequent, late, or inadequately documented raise questions about the propriety of the transfers and the reliability of the University's accounting system and internal controls. In consideration of a cost transfer, the following three requirements must also be considered:

1. Is the cost **allowable** by federal regulations, state regulations, UNC Charlotte policy, sponsor terms and conditions, and contractual terms and conditions?
2. Is the transfer **reasonable**? Does it reflect whether or not the individuals concerned acted with due prudence in the circumstances?
3. Is the cost **allocable** and **treated consistently**? Does the cost have a direct benefit to the sponsored project being charged, and are like costs in similar instances treated consistently throughout the University?

Procedures

Funds need to be reconciled monthly so that errors or discrepancies can be corrected in a timely manner. If review of a report or monthly expenditures reveals errors in charging of expenditures, the PI or administrator should promptly submit a request for a cost transfer to GCA Award Management staff. Cost transfers must include the following:

- **Cost Transfer Justification Form**, (Only if request is beyond 90 days from original transaction date) completed and signed, addressing the following:
 - An explanation of the error and how it occurred
 - An explanation of why it is appropriate to charge the BANNER fund to which the expense is being transferred (*i.e.*, how does the expense benefit the award?)
 - Measures taken to prevent the situation from happening again
- **Documentation of Original Expense**, to include:
 - Date, amount, BANNER fund number originally charged, and any other identifying information
 - A description of the goods/services for the expense being transferred

The explanation must be sufficient for an independent reviewer (*i.e.*, a federal auditor) to understand the rationale for the transfer and conclude that it is appropriate. According to federal guidelines, "an explanation which merely states that the transfer was made 'to correct error' or 'to transfer to correct project' is not sufficient." Thus, any cost transfer documentation containing such an explanation will be returned to the department.

Audit Issues

Some types of cost transfers are particularly suspect in an audit. Examples of these include:

- Transfers to or between federal projects
- Transfers that are late (more than 90 days after discovery of the error)

- Transfers to a federal project that is nearing its termination date, thereby giving the appearance of utilizing funds inappropriately
- Transfers with an inadequate explanation
- Transfers between federal projects that clear an overrun on one of the projects
- Payroll transfers that are recorded in the accounting system but not corrected in the payroll system or on the effort certification

All cost transfers **must** be approved by the PI, who certifies to the following:

"I certify that the cost transferred is an appropriate expenditure for the sponsored grant/contract charged and that the expenditure complies with the terms and restrictions governing that sponsored grant or contract."

Grants & Contracts Administration (GCA) reserves the right to reject any cost transfer for lack of documentation and/or proper authorization.

Exclusions/Exceptions

Any cost transfer more than 90 days old must be approved on a case-by-case basis by the Executive Director of GCA.

Failure to Comply

The department affiliated with the sponsored agreement is responsible for appropriately funding any cost transfers that are disallowed due to failure to meet the timing requirements stated above or insufficient justification and documentation. The department is also responsible if any cost transfers are later disallowed at audit. If a significant number of cost transfers do not meet government requirements, the auditors may extrapolate the disallowances and recommend disallowing a percentage of ALL cost transfers for a particular department, college or school, or even University-wide.

Related Information

[2 CFR 200 \(Uniform Guidance\)
Cost Transfer Justification Form](#)