

Institutional Handbook of Operating Procedures
Policy 04.05.09

Section: Fiscal Policies	Responsible Vice President: Chief Financial Officer
Subject: Cost Accounting	Responsible Entity: Grants & Contracts Accounting

I. Title

Cost Transfer Policy

II. Policy

UTMB has established the following policy and procedures 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. The purpose of this policy is to define the requirements and procedures for completing cost transfers on Sponsored Programs, Sponsored Projects, or Fee for Service or Cost Reimbursable awards in the accounting system to ensure proper financial reporting and compliance with sponsor guidelines. Although it is preferable to charge costs to the correct Sponsored Program, Sponsored Project or AR module award when they are incurred, cost transfers are sometimes necessary. To be an allowable, allocable, and justifiable cost transfer, the cost transfer must meet the following criteria:

- Be timely
- Reasonable
- Be fully documented
- Conform to UTMB and sponsor standards for allowable cost transfers
- Have appropriate authorizing approvals

A. Cost Transfers

- All cost transfers must be consistent, must meet UTMB and sponsor standards for allowable cost transfers, and must be allocable to the receiving sponsored award. See Definitions for clarification.
- Cost transfers are appropriate in the following circumstances:
 - Error correction: Errors may include clerical errors such as typographical errors or a transposition of fund group digits. Other errors may be detected upon review of monthly reports or a misunderstanding of instruction from the Principal Investigator (e.g., a purchase that had been charged to a program or project different from that which benefited from the use of the items purchased). All errors should be corrected as soon as they are detected but no later than 60 days after the month of the transaction.
 - Transfer between active programs or projects: Costs may be transferred between active program/project/organizations for various reasons (examples include pertinent information received subsequent to the date of original entry or the individual initiating the charge had insufficient information to properly allocate the charge at the time of the original entry).
- Cost Transfers are **NOT** permitted in the following circumstances:

- Cost Overruns: Cost transfers from one award, project, or AR module award to another solely to cover an anticipated or actual overrun are not allowable. The Principal Investigator and his or her department/entity are responsible for providing an appropriate unrestricted source of funds for cost transfers which are processed to clear a deficit.
- Unexpended Balances: Cost transfers solely to eliminate unexpended balances at the close of a sponsored project are not allowable. In most cases, unexpended balances at the close of a sponsored project must be returned to the sponsor. Please refer to the *Transfer and Use of Residual Balances* policy to determine when residual balances are retained.
- After Project End: The transfer of charges incurred after the end date of a sponsored project must be transferred to a different, appropriate funding source.

The Principal Investigator and his or her department/entity are responsible for funding the transfer of costs which are disallowed due to failure to meet the time requirements. The department/entity is also financially responsible if any cost transfers are subsequently disallowed as the result of an audit.

B. Documentation/Explanation

All cost transfers must be supported by documentation that contains a full explanation and justification for the transfer and certification statement. Cost transfer documentation must include specific and detailed information for the original transaction, transaction numbers, dates, and description of the original transaction.

If a transfer is to correct an error, an explanation that merely states that the transfer was made to “correct an error” is not sufficient. The explanation must indicate why the original entry was incorrect, how the error occurred, and what steps are being taken to ensure that these same errors do not continue to occur. Please refer to the NIH Grants Policy Statement, section 7.5: *Cost Transfers, Overruns and Accelerated and Delayed Expenditures*:

“Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error [occurred]. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the recipient, consortium participant, or contractor. An explanation merely stating that the transfer was made ‘to correct error’ or ‘to transfer to correct project’ is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost over-runs are not allowable.”

Salary cost transfers must include the following:

- Statement certifying that the cost transfer is correct and complete.
- Statement that the project being charged received a direct benefit, verification that the employee worked on the project.
- Explanation and certification statement.
- What measures is the department taking to reduce untimely cost transfers.

C. Timeframes for Cost Transfer/Authorization/Approval

All cost transfers should be initiated as soon as the need for a transfer is identified. It is expected that cost transfers will be initiated within 60 days of the end of the month of the report in which the erroneous charge was incurred and the report was available for review. A

90-day deadline is the standard used by the federal agencies and its auditors to determine whether costs are reasonably charged to a project. However, UTMB has chosen to implement a 60-day deadline to ensure transactions are processed to completion before the 90-day deadline for cash flow and reporting purposes.

Authorization and approval must occur for all Non-Salary Cost Transfers. Non-salary cost transfers submitted within the 60-day period must be approved by Administrator of the requesting department, the Grants and Contracts Accounting (GCA) analyst and the GCA manager. In addition to these approvals, approval is needed from the Director of GCA for any Non-Salary Cost Transfer greater than the 60-day period.

Salary cost transfers are often necessary to properly align salary charged to a project and the effort expended on the project. Salary cost transfers must follow the *Effort Reporting Policy* with the exceptions of salary cost transfers processed at the end of an award period, which will only be allowed within the 60-day period. Initiated salary cost transfers for corrections between classes will only be allowed for current fiscal year activity. Initiated salary cost transfers from a class to a project or a project to a class will only be allowed no later than 60 days after the month in which the original charge occurred. Authorizations and approvals are routed through Human Capital Management (HCM).

III. Procedures

An official request must be made for all cost transfers. The request is completed in the following sequence:

- A. The department administrator/grant administrator, in conjunction with input from the Principal Investigator, requests the Non-salary cost transfer via the automated cost transfer process. Submissions of manual requests will be returned to the requestor.
- B. Trusted requestor should request access to designated system routing for Executive Director, Director or designee through Tivoli access management system. B. These roles are only needed for the individuals who will be approving the journals within iSpace. Trusted requestor should add individuals to the email distribution lists created for this purpose to ensure individuals are notified of the document status throughout the iSpace routing.
- C. Once the Executive Director, Director or designee has access you may begin entering cost transfers using the automated process.
- D. Refer to document named "Cost Transfer Submission Process" for step-by-step instructions on how to submit a cost transfer. The document can be accessed with this link:

<https://research.utmb.edu/sponsored-programs/postaward-toolkit>

Things to remember

- If a form is submitted before an administrator has been established, routing will not begin.
- A valid chartfield string must be used.
- A project with an end date of greater than 60 days prior to the cost transfer form entry date is considered invalid. These entries must be processed manually by Grants and Contracts Accounting.
- A non-salary expense account, i.e. the PeopleSoft account that starts with a 5X but not 50X, must be used.
- The form IDs that have been submitted will remain on you list.

- There are copy and edit actions.
 - Justifications, documentation, and description information is required.
 - No changes to the form can be made once the form is in a submitted.
- E. Cost transfers will route through iSpace based on the age of the transactions. See document named “iSpace Workflow of approvals to department”.
- F. Whoever has the iSpace admin role will receive a link from iSpace when routing has started. Clicking on this link will allow them to log into iSpace and review and approve or deny the cost transfer.
- G. Email distribution lists created for this purpose must be properly maintained to ensure individuals are notified of the document status throughout the iSpace routing. This email can be sent to anyone who would like to be notified of the progress of the cost transfer.
- H. Non-salary cost transfers are routed electronically to the appropriate level of authority for review and approval through the automated cost transfer process.
- I. Salary cost transfers must be completed via a retroactive department budget request (Retro DBR) or Direct Retro and will follow the proper routing. Mandatory training is available through [Research Services](#).
- J. Cost transfers will be returned to the department if:
- Inadequate documentation or justification is provided.
 - The sole purpose of the transfer is to move a deficit from one project to another project.
 - The purpose of the transfer is to use unspent funds.
- K. Once all approvals are received a journal entry is processed and posted to the general ledger
- L. The transfer process is complete.

IV. Definitions

Allocable Cost: A cost is allocable to a specific grant, function, department, or other component, known as a cost objective if the cost is necessary to advance the work under a sponsored project. The goods or services involved are chargeable or assignable to that cost objective, in accordance with the relative benefits received or other equitable relationship.

Allowable Cost: A cost that conforms to limitations and exclusions as contained in the terms and conditions of the award, including those in the cost principles that vary by the type of activity, the type of recipient, and other characteristics of individual awards.

AR Module Award – A fee for service, fixed price or cost reimbursable award with no defined scope of work but requires invoicing.

Consistent: Grantees must be consistent in assigning costs to cost objectives. Cost must be treated consistently as either a direct cost or an indirect cost for all work of the organization under similar circumstances, regardless of the source of funding.

Cost Transfer: The assignment of an expense or expenditure (charge) to a federally or non-federally funded project/class where such charge was initially recorded in another project/class. A cost transfer is

an after- the- fact reallocation of a direct cost associated with a transaction from one funding source to another. There are two types of cost transfers: salary and non-salary.

Cost Transfer Timeframe: Period during which cost transfers are to be identified, requested, and processed.

Reasonable Cost: A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflects the action that a prudent person would have taken under the circumstances prevailing when the decision to incur the cost was made.

V. Relevant Federal and State Statutes

The Office of Management and Budget (OMB) [2 CFR 200](#)

VI. Related UTMB Policies and Procedures

[IHOP – 04.05.08 – Effort Reporting Policy](#)
[Internal Control Policy](#)

VII. Additional References

[NIH Grants Policy Statement](#)

VIII. Dates Approved or Amended

<i>Originated: 07/25/2006</i>	
<i>Reviewed with Changes</i>	<i>Reviewed without Changes</i>
08/01/2008	10/06/2011
09/07/2012	
03/22/2016	
06/06/2019	

IX. Contact Information

Grants & Contracts Accounting
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