| | |
|---|---|
| Section 4 Fiscal Policies<br>Subject 4.5<br><br>**Policy 4.5.9 Cost Transfer Policy** | 01/25/06 -Originated<br>09/07/12 -Reviewed w/ changes<br>10/06/11 -Reviewed w/o changes<br>10/03/12 -Effective<br>Office of Sponsored Programs-Finance -Author |

# COST TRANSFER POLICY

## Definitions

**Cost Transfer**: A Cost Transfer occurs when an expense is transferred from one PeopleSoft project, class or chart field value to another when an error has occurred. Transfers between PeopleSoft accounts are considered coding corrections, not Cost Transfers, under this policy.

Cost Transfers for purposes of this policy include all costs, e.g. salaries, benefits, M&O (maintenance and operation) etc. Labor transfers typically occur via payroll transfer where non-labor transfers generally are done with a journal entry and may be initiated within the records of UTMB by Financial Accounting and Reporting, UTMB Hospitals or other authorized units.

**Financial Accounting and Reporting**: Financial Accounting and reporting is charged with the responsibility of maintaining the official financial records of the institution. FAR is responsible for ensuring that policies and procedures are in place to assure the proper stewardship of externally funded projects, including the Cost Transfer policy.

**Date of Discovery**: The date on which the need for a Cost Transfer is acknowledged.

**Departmental Business Operation**: The department, center or hospital office is responsible for the stewardship of institutional resources within the policies, practices and procedures of the institution.

**Effort Confirmation** (Also, referred to as **Effort Certification**)**:** A Primary Individual's representation that the Effort supported by the sponsor has been performed and/or Effort expended in support of a project (but not paid by the sponsor) has been performed. It is important to note that payroll distributions and Effort Confirmations are not the same thing. Payroll distributions describe the allocation of an Individual's salary; whereas, Effort Confirmation describes the allocation of an Individual's Effort.

**Effort Confirmation Period**: The designated period of time for Individuals to enter and for Primary Individuals to confirm, estimates of actual Effort in the official UTMB Effort system. The end of the Effort Confirmation Period is deemed to be the initializing transaction date as

## Definitions, continued

referenced in the Cost Transfer vis-à-vis timelines.

**Effort Reconciliation Period**: The designated period of time, after the Effort Confirmation Period, in which salary paid should be reconciled to the Effort confirmed and any adjustments submitted.

**Effort Reporting Period**: The designated period of time over which the Effort is to be reported. UTMB reports Effort semi-annually.

**HR Business Center**: The administrative team within each entity business operation responsible for approving and processing salary transactions.

**Entity Business Operations:** Entity Business Operations is charged with the oversight of policies and procedures for the Departmental Business Operations that report to them. Entity leaders and CFO's will ensure that each department business operation has an appropriate review process in place.

**Research Operations**: Research Operations is the UTMB institutional office charged with the administrative oversight of sponsored research. Research Operations is responsible for ensuring that policies and procedures are in place to assure the proper stewardship of externally funded projects, including Cost Transfer policies

**Fiscal Year**: The financial accounting period from September 1 through August 31.

**Payroll Department**: The institutional office charged with the responsibility of maintaining the payroll system for the institution. This office is charged with the maintenance of the payroll system and the oversight of all payroll related transactions

**Project Year**: The period from the start date to the end date of a specific sponsored agreement. These may or may not follow UTMB's Fiscal Year.

**Reporting Period**: The period covered by the Financial Status Report submitted to an external sponsor. Typically, the Reporting Period is a twelve-month period but could cover a period of less than twelve months or multiple years as defined by the sponsor. Federal financial reports are

## Definitions, continued

generally due within 90 days from the expiration date of the Sponsored Project. Other financial reports may be due as soon as 30 days from the expiration date.

**Sponsored Project**: An externally funded activity that is governed by specific terms and conditions. Sponsored Projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Separately budgeted means that a project budget has been prepared to identify the costs necessary to meet the scientific objectives of the project. Sponsored Projects may include grants, contracts, and cooperative agreements for research, instruction and training, and other public service activities. Sponsored programs involve a specific commitment of time of the principal investigator and other key personnel and can be either: 1) externally funded activities for which a formal written agreement, such as a cooperative agreement, contract, or grant is entered into by UTMB and by a sponsor; or 2) internally funded activities which are separately budgeted and accounted for by UTMB as a result of a formal application and approval process within UTMB. For externally funded programs, the commitment of time can either be paid or unpaid by the sponsor (see mandatory and voluntary committed Cost Sharing definitions). A sponsored program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

**Timeliness**: A Cost Transfer that is timely is one that is limited within the time frames of the Cost Transfer policy.

## Policy

The transfer of expenses (Cost Transfer) from one accounting source to another is to be timely and meet the following guidelines based on the type of transfer:

**Sponsored Project Salary Cost Transfers**

Salary Cost Transfers must be initiated within 90 days of discovery of the need for the transfer or within the time frame as defined in the IHOP Effort Reporting Policy, whichever is less. The Date of Discovery is deemed to be the last day of the effort confirmation period for Cost Transfer purposes.

## Policy, continued

Labor Cost Transfers required to properly align salary charged to a project with the effort reported on a project cannot be identified until the effort confirmation is complete. Effort reporting and any Cost Transfers necessary as a consequence of effort reported must be initiated during the effort reconciliation period, which is defined as the 30 days following the end of the effort confirmation period. The effort reporting period will be closed after the 30-day effort confirmation period and the 30-day Cost Transfer period will have lapsed.

For Sponsored Project salary Cost Transfers, no Cost Transfers will be permitted after the effort confirmation period is closed or after the due date of financial report for the project, whichever is earlier, unless it benefits the sponsor (i.e. a transaction moves expenses off a Sponsored Project). Cost Transfers that benefit the sponsor may be made at any time the need is identified.

**Non-Sponsored Project Salary Cost Transfers**:

Salary Cost Transfers must be initiated within 90 days of the discovery of the occurrence and must meet federal, state and institutional guidelines. The Date of Discovery is deemed to be 30 days after the issuance of the Institutional Book of Record.

**Non-salary Cost Transfers:**

Non-Salary Cost Transfers must be initiated within 90 days of the discovery of the occurrence and must meet federal, state and institutional guidelines. The Date of Discovery is deemed to be 30 days after the issuance of the Institutional Book of Record.

## Procedures

Cost Transfers related to a sponsored project that are initiated after 90 days from the Date of Discovery but not exceeding a cumulative expense total of $10,000 will require approval of the department chair (or designee), Research Operations and the Director of Grants and Contracts Accounting. Any transfers over 90 days and exceeding a cumulative expense total of $10,000 must receive approval from the appropriate department chair (or designee), Research Operations, Vice President and Chief Operating Officer – Academic Enterprise and the Director of Grants and Contracts Accounting. Transfers on Sponsored Projects initiated after 90 days will not be approved unless it benefits the sponsor (i.e. a transaction moves expenses off a Sponsored Project).

## Procedures, continued

Transfers between PeopleSoft accounts on the same project are considered coding corrections under this policy. This type of transaction does not require approval even if the transaction is greater than 90 days old. A cost transfer between project/budget references on the same award does not require approval.

Cost Transfers may be initiated by central administrative offices in certain circumstances. These Cost Transfers will normally be discussed with departments prior to initiation of the transfer. The department is expected to identify an appropriate cost center to which the costs are to be transferred. The response should be received in time to meet Fiscal Year end deadlines, project financial reporting deadlines and/or the 90-day transfer period. However, if no response is received from the department by the expected transfer date Financial Accounting and Reporting and/or Research Operations will move the costs to a departmental account and a notification will be sent to the department indicating the transfer occurred, the date of the transfer, the source to which the cost was transferred, and a description of the costs transferred.

**Required Documentation:** Departments may initiate a Cost Transfer by either sending appropriately completed current Cost Transfer forms, with justification, to the appropriate business office (Entity CFO and Financial Accounting and Reporting or Research Operations), or by initiating a PeopleSoft HCM form when salaries are involved. Cost Transfers may not be initiated, approved and posted to the official institution accounting records by a single individual.

Cost Transfers must be for specific identified expenses and must have an adequate and complete justification. Cost Transfers must be in compliance with University policy, state, federal, and sponsor regulations. Frequent requests for Cost Transfers may indicate the need for improvements in the financial systems, internal control structure and/or University training programs. Documentation of Cost Transfers must be maintained and made available for audit or other review (Ref. PHS Grants Policy Statement and 45 CFR 74.53). The initiating department is responsible for maintaining documentation for the Cost Transfer.

Cost Transfers must be initiated by authorized personnel. These are individuals within the central institutional offices who have been delegated this responsibility or it can be departmental individuals who

## Procedures, continued

have been assigned, or his/her designee, responsibility for the PeopleSoft chartfield string.

Cost Transfers onto a Sponsored Project must be directly related to that project and must meet the standards of allowability and allocability of the sponsored agreement. Federally Sponsored Projects/classes may not accept cost overruns from another Sponsored Project/class. Cost Transfers to use available balances on terminating projects are unallowable (Ref. OMB Circular A-21. C-4b).

All Cost Transfers related to Sponsored Projects must be approved by Research Operations.

Once an expense/cost has been certified as allowable and allocable to a particular grant/contract, the cost is ineligible for future transfers.
At the end of a Sponsored Project, for valid encumbrances where funds are available and the expense has been incurred during the period of the Sponsored Project, the payment of the encumbrance will be allowed. In all other circumstances, encumbrances will be moved to an associated department's state or designated funded PeopleSoft class by the department.

Disciplinary action for non-compliance with this policy including, but not limited to, failure to report expenditures related to cost sharing, will be administered according to the UTMB Institutional Handbook of Operating Procedures in accordance with the University of Texas System Board of Regent's Rules and Regulations. In case of a violation of civil or criminal law, violators may be subject to civil or criminal penalties. If UTMB becomes aware of alleged criminal violation(s), UTMB may report such conduct to the appropriate oversight agencies.

## References

PHS Grants Policy Statement
45 CFR 74.53
OMB Circular A-21. C-4b
UT System, UTS163, Guidance on Effort Reporting Policies
NIH Grants Policy Statement