

Cost Transfers

Guideline Charge

Cost Transfers – Sponsored Programs

Purpose

The purpose of this guideline is to set forth the circumstances for transferring charges to and/or from a sponsored award.

Guideline Statement

As part of the conditions of receiving sponsored program funds, the University of Texas at Dallas(UTD) must comply with allowability and allocability requirements of the [Budget \(OMB\) 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award Administrative guidelines\(Uniform Guidance\)](#), State, Local, and any Sponsor term and conditions. One regulation, as outlined in [Uniform Guidance 2 CFR 200.405 \(c\)](#), prohibits “allocating to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons”. To help control this regulation, timeliness and completeness of transfer explanations are two of the important requirements in supporting allowability and allocability in accordance with the principles set forth in the Uniform Guidance. In addition, National Institutes of Health (NIH) Grants Policy Statement states, “Cost transfers to NIH grants by grantees should be accomplished within 90 days 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 grantee. 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 the next solely to cover cost overruns are not allowable. “Grantees must maintain documentation of cost transfers and make it available for audit or other review. The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. This policy addresses the reallocation of salary expenses and transfer of other direct costs.

Scope

This guideline is applicable to all individuals involved with the administration of federally-funded sponsored award activities, including central and departmental sponsored project administrators, principal investigators, and other research personnel.

Guidelines

A cost transfer is a reassignment (transfer) of charges within or between cost centers. Cost transfers are used to bill interdepartmental costs, to adjust billing errors, or for other reasons associated with the department's regular financial operations.

Roles and Responsibilities

Principal Investigator (PI) – The PI has a fiduciary responsibility for the management and administration of the sponsored project in accordance with sponsor and University guidelines, and therefore must approve all cost transfers. *Departmental Administrator (DA)* - The departmental administrator, in conjunction with the PI, are responsible for completing timely reconciliations between the University's general ledger and underlying details i.e., Salary Expense Report and departmental records. The DA must ensure that all financial activity is properly recorded in the University's financial system, which is the source for all financial reporting; the DA is responsible for ensuring all approved cost transfers are completed accurately and on time. *Office of Post Award Management (OPM)* – OPM is responsible for reviewing and approving sponsored program cost transfers. *Office of Budget and Finance* – Ensures all cost transfers are routed appropriately for approval.

Criteria

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated after the original transaction as soon as possible, preferably within 90 days of the month end closing date of incurring the expense. Requests for cost transfers after 90 days of the original transaction must include sufficient documentation and justification, and will be considered on a case by case basis. UTD is obligated to immediately remove incorrect charges made to sponsored accounts, regardless of time frame. When cost transfers to move expenses involve sponsored projects, it is critical that the transfer meet the rules for allowability, allocability, reasonableness, and consistency.

A retroactive cost transfer is justified in the following circumstances:

1. Clerical and data entry errors – These are typically data entry errors such as transpositions. The correcting entry must include a statement certifying that the adjusted charge/credit is correct and appropriate.
 - a. The following explanations are ***not*** appropriate justifications:
 - i. “to correct error”
 - ii. “to close out project”
 - iii. The PI was out of town
 - iv. Department duties did not allow for time for correction
 - v. Work volume delayed charging the correct project grants
 - b. Pre-award costs that are specifically authorized in writing by the sponsor – Many federal agencies allow pre-award costs up to 90 days prior to the start date of a grant. A department or research unit may, at its own risk, incur obligations and expenditures to cover costs prior to the beginning date of an award.

- c. Transfer of retroactive expenses due to a delay in finalizing the award or contract.
- d. Cost benefiting more than one project. Goods and services should be charged or allocated among awards at the time of the original purchase whenever possible and practical, in order to avoid unnecessary cost transfers. In limited situations, it may be permissible and appropriate to initially charge costs to a non-sponsored funding source with a subsequent reallocation to a sponsored project (e.g., recurring and routine allocations such as service center recharges, glass washing, and animal per diems)
Cost transfers between sponsored activities are NOT allowed in the following circumstances:
- e. Cost Overruns – Unless clearly stated in the sponsor guidelines, cost transfers to solely cover an actual or anticipated overrun are not allowable. Overruns must be transferred to a discretionary or operating account(s).
- f. Unexpended Balances – For sponsored projects, retroactive cost transfers for the purpose of expending available funds still remaining on a project are not allowable.
- g. Report Rendered – If the final financial report has been submitted to the sponsor, a cost transfer to a sponsored project will not be processed. A cost transfer from a sponsored project to correct an error will be processed and may require a revised financial report. See "Close Out of an award" section for further information.
- h. **No salary cost transfers are permitted after Effort Certification Reports are completed and signed by the responsible individual unless it benefits the sponsor. See "Cost Transfer for Salary" section for further information.**
- i. Other unacceptable purposes for retroactive cost transfers include circumventing award restrictions, avoiding a cost overrun by charging another unrelated project, or transferring an expense to/from an award that has been closed.
- j. Project funds are not interchangeable (the integrity of each grant account must be maintained).
- k. Costs not allocable to a project cannot be charged to that project, even temporarily. **At no time should sponsored project funds be used as a holding account for charges that are known to belong elsewhere.**

Examples of Cost Transfer Red Flags:

- Volume of Cost Transfers.
- Cost Transfers that occur several months after the initial accounting transaction
 - PeopleSoft financial system has an internal date control that will not allow a transaction 45 days after the end date of the project.
 - Even if the transaction does benefit the grant, and should have been on the grant before the end date of the project, the sponsor still has to approve the expense. If approved, the sponsor will request a new final financial report from the Office of Finance.
- Cost Transfers involving personnel expenses that occur after an Effort Certification report is complete
- A pattern of cost transfers from a sponsored project
- Between two federal accounts; also, when the transfer clears a deficit off one of the federal projects
- Transfers to a federal project at the end of the project or after the project period of performance end date

Cost Transfer for Salary

Cost transfers are generally not permitted for employees who have already certified their effort unless under extremely unusual circumstances.

- Payroll distribution and certified effort must coincide. Such transfers must be accompanied by an EPAR which has been approved by PI, Department Head, and the Director of Office of Post Award Management.
- revised effort form must include a full explanation of how the initial effort form was completed erroneously.
- Note: Once a final Financial Status Report or Final Invoice has been issued, retroactive cost transfers are not permitted unless the transfer(s) is anticipated as a part of the close out process or the charge was unallowable.
- Salary transfers are subject to the 90 day limit as stated above.

Close-out of an award timeline

An award is closed out when it is determined that no further date or funding extensions are required to meet the deliverables by the original project end date. Closeout refers to the activities that end an active sponsored project.

The closeout process for sponsored projects is a post-award activity and is handled jointly by Post-Award Management and Office of Finance (Accounting and Financial Reporting). Close out complies with [OMB Uniform Guidance 200.343 Close Out](#) regulation, as well as any sponsor, state and other applicable policies and regulations. During the closeout process, valid expenses have 45 days to hit the award after its end date and be billed to the sponsor. Any overages are sent to the department so it can complete an interdepartmental transaction (IDT) to remove those expenses from the grant within this 45 day window. Once a sponsored project account is closed and the final report has been submitted to the sponsor, no expenses may be charged to the closed account unless it benefits the sponsor. Any charges identified after the close of the account can only be transferred to a non-sponsored program account.*No expenses will be incurred 45 days after the end date of the award.*When all invoices are paid and necessary final financial reports are filed with the sponsor by the Office of Finance (no later than 90 days or sooner if the contract requires), the sponsored project is considered closed by OPM and no further transactions may be incurred on the project. Once a sponsored project account is closed and the final report has been submitted to the sponsor, no expenses may be charged to the closed account unless it benefits the sponsor. Any charges identified after the close of the account can only be transferred to a non-sponsored program account. For further information regarding the close out of an award, visit the Office of Finance Procedure - [Financial Reporting and Award Closeout for Sponsored Projects](#)

Documentation and Explanation

All cost transfers must include a detailed explanation and justification (e.g., rationale for allocation among projects) for the transfer. 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. Grantees must maintain documentation of cost transfers and must make it available for audit or other review. The person initiating the charge has primary responsibility for fulfilling these requirements. The initiating department is responsible for maintaining related records in accordance with university and award requirements. The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both.

*The documentation should clearly address the following: *If within 90 days of the original transaction date:

- Justification supporting the necessity of the transfer.
- Why the expense was originally charged to the cost center from which it is now being transferred?
- A detailed explanation of what caused the error and how it was discovered.
- An explanation that states to "correct a clerical error" or "transfer to correct grant or contract", and "to close out an award "are not sufficient.

If in excess of 90 days of the original transaction date: In addition to the information listed above, the following is necessary:

- The reason for the delay in processing the adjustment.
 - Why is the cost transfer being requested more than 90 calendar days from when the original transaction was posted in the University's general ledger?
 - The justification should be specific enough to provide a direct tie to program objectives.
 - For all transfers of payroll charges through EPAR, a full explanation should be supplied in the comments field in addition to whatever other documentation is required.
- Identification of the controls that will be implemented or what action has been taken to ensure the error does not occur again.
 - The reason for the failure to detect the error in a timely manner.
- Approval of Principal Investigator.
 - Email or other written documentation from PI requesting, approving, or confirming change.
 - Financial Report that includes correction that has been reviewed and approved by PI, displaying PI's initials or signature
- Approval of Department Head and Dean(if applicable).

Policy Links

[Procurement Management – Travel Management](#)

[Uniform Guidance 2 CFR 200](#)

[opm:allowable_cost Allowable Cost on federally funded Contracts and Grants](#)

[The University of Texas at Dallas Expenditure Policy \(UTDBP3097\)](#)

[OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

[The Cost Accounting Standards \(CAS\)](#)

[The Office of Sponsored Projects](#)

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[BROKEN LINKS](#)