

1. Title

Cost Transfer Policy

2. Policy

- Sec. 1 Purpose. This policy provides requirements and guidelines for all cost transfers, including payroll costs, for all sponsored programs, federal, state, and private, at The University of Texas System Administration.
- Sec. 2 Office of Management and Budget (OMB) Circular A-21 Requirement. The cost allowability and allocability requirements of OMB Circular A-21 for federal accounts will be consistently applied to all sponsored programs. To comply with those requirements, it is necessary to explain and justify transfers of charges to the sponsored program accounts. Timeliness and completeness of explanation of transfer are important factors in supporting allowability and allocability in accordance with the principles of the Circular.
- Sec. 3 Need for Cost Transfers. When costs are charged to incorrect account(s), cost transfers or adjustments are needed to correct the initial cost assignment as soon as the error is discovered.
- Sec. 4 Responsibility of the Principal Investigator (PI). It is important that PIs monitor their projects' expenditures on a regular basis to ensure that all charges have been applied correctly. If errors are made, they should be corrected promptly to minimize future occurrences. Cost transfers must be minimized, timely, well-documented, approved by the sponsor, and have appropriate authorizing signatures. Cost transfers into a sponsored program from another sponsored program or non-sponsored program must be directly related to that program and must meet the standards of allowability and allocability of the sponsored agreement. It is the responsibility of the PI or director, and his/her designee to monitor and review their projects' expenditures on a regular basis to ensure that all charges have been applied correctly.
- Sec. 5 Responsibilities of the Initiator and Preparer of a Cost Transfer Form. An individual who initiates and prepares a cost transfer form has the responsibility to ensure that:
- (a) he/she has the appropriate authority to initiate the transaction;
 - (b) the expenditure is necessary, allowable, applicable, reasonable, and complied with appropriate rules and regulations (grantor's terms and conditions and/or federal);

- (c) the expenditure is clearly stated within the budget;
- (d) the expenditure is properly approved by the sponsor or allowable; and
- (e) supporting documentation has been provided.

Sec. 6 Responsibility of the Approvers of a Cost Transfer. The approvers authorize a cost transfer transaction. The approvers have responsibility to ensure that all necessary steps have been followed in compliance with this policy and that all personnel engaged in the financial administration of grant and contract projects are familiar with this policy.

Sec. 7 Frequent Errors. Frequent errors in the recording and/or documentation of cost transfers may indicate the need for improvements in recordkeeping and/or internal controls that may result in expenditure disallowances and/or loss of funds.

Sec. 8 Account Review.

8.1 All accounts must be reconciled to ensure that all transactions are correct and appropriate. This review should include the determination that the charges are reasonable, allowable, and comply with the terms and restrictions governing the sponsored project.

8.2 If errors are discovered, they should be corrected promptly with a cost transfer.

Sec. 9 Cost Transfer Requirements.

9.1 A Cost Transfer Form must be completed for each cost transfer.

9.2 All cost transfers must be timely, documented, and explained in detail, adhere to the sponsor's standards, and have all appropriate authorizing signatures.

9.3 A detailed written explanation is required to support and justify the transfer as to why the initial charge was incorrect.

Sec. 10 Timeliness.

10.1 Cost transfers within 90 days (of the original transaction) must have approval signatures from the PI, the department head, and the Assistant Budget Officer.

- 10.2 Cost transfers over 90 days (after the original charge or effort certification) and/or exceeding 5% of the annual award:
- (a) must have approval signatures from the PI, the department head, the Assistant Budget Officer, and the Associate Vice Chancellor - Controller and Chief Budget Officer; and
 - (b) must include a detailed explanation of the delay.
 - (c) Cost 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).

Sec. 11 Cost Transfers for Salary.

- 11.1 A Cost Transfer Request Form should be completed.
- 11.2 A "Modify" document should be completed and routed in the U. T. Austin Human Resource Management System (HRMS).
- (a) The retroactive HRMS document must agree with the Effort Certification Report.
 - (b) No salary cost transfers are permitted after Effort Certification Reports are completed and signed by the responsible individual unless it benefits the sponsor.
- 11.3 The completed form should be forwarded to the Office of the Controller.

Sec. 12 Non-Salary Transfers.

- 12.1 A Cost Transfer Request Form should be completed.
- 12.2 The completed form should be forwarded to the Office of the Controller.

Sec. 13 Closed Accounts. 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.

Sec. 14 Prohibited Cost Transfers. Cost transfers are prohibited for the following:

- 14.1 use of cost transfers for the purpose of using unexpended funding that is ending;
- 14.2 use of cost transfers for the purpose of avoiding restrictions imposed by terms of the award agreement;
- 14.3 transfer of costs from one account or budget period to the next one to cover cost overruns; and
- 14.4 transfer of costs allocable to activities of sponsored programs by industry or other sponsors to federally-sponsored projects.

3. Definitions

Allocable - a cost is related to the project or incurred solely to advance the work under a sponsored agreement or benefit both the sponsored agreement and other work of the institution.

Allowable - to be considered allowable, cost transfers must be timely, documented, and explained in detail, adhere to U. T. System Administration's and the sponsor's standards, and have all appropriate authorizing signatures.

Cost Transfer - an after-the-fact reallocation of the costs or a transfer to a sponsored account of a charge previously recorded elsewhere.

Documentation - original invoice, credit card receipt, and any other documentation that supports the transaction.

Effort - time spent by employees on a sponsored project.

OMB Circular A-21 - a circular entitled *Cost Principles for Educational Institutions* and published by the federal [Office of Management and Budget \(OMB\)](#) that establishes the principles for determining the costs applicable to grants, contracts, and other government agreements with educational institutions.

Principal Investigator (PI) - the individual responsible for the conduct of research or other activity described in a proposal for an award.

Sponsored Program/Project - a program/project funded by a grant, contract, or cooperative agreement under which the institution agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budgeted monetary compensation.

4. Relevant Federal and State Statutes

OMB A-21, *Cost Principles for Educational Institutions (05/10/2004)*.
http://www.whitehouse.gov/omb/circulars_a021_2004/

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (11/19/1993) (further amended 09/30/1999).

http://www.whitehouse.gov/omb/circulars_a110/

5. Relevant System Policies, Procedures, and Forms

[UTS163, Guidance on Effort Reporting and Certification Policies](#)

[Cost Transfer Request Form](#)

6. System Administration Office(s) Responsible for Policy

Office of the Controller

7. Dates Approved or Amended

January 1, 2007

September 30, 2009

November 3, 2011