



TEXAS TECH UNIVERSITY™

## Operating Policy and Procedure

### **OP 65.04: Cost Transfers Involving Sponsored Projects and Cost Share Funds**

**DATE:** February 9, 2018

**PURPOSE:** The purpose of this Operating Policy/Procedure (OP) is to establish policy for the transfer of costs to, from, or among sponsored projects and cost share funds.

**REVIEW:** This OP will be reviewed in December of odd-numbered years by the Managing Director of Accounting Services (AS) with substantive revisions forwarded to the Assistant Vice President for Business Services and the Vice President for Administration & Finance and Chief Financial Officer.

### **POLICY/PROCEDURE**

#### **1. Policy Statement**

It is the policy of Texas Tech University that costs be charged to the appropriate sponsored project when first incurred. However, there are circumstances in which it may be necessary and appropriate to transfer expenditures to, from, or among sponsored projects subsequent to the initial recording of the charge.

Texas Tech University is committed to ensuring that all cost transfers are processed in accordance with federal regulations, state law, and sponsor and award terms and conditions. Specifically, cost transfers must meet the Office of Management and Budget (OMB) cost principles of allowability, allocability, and reasonableness. To be allowable, transfers must be timely, fully documented, and authorized in accordance with this policy.

#### **2. Definitions**

- a. **Cost Transfer** – After-the-fact transfer of costs to or from a sponsored project or cost share fund after the expense was initially charged either to another sponsored project or to non-sponsored sources. Unless differentiated in this policy, payroll-related cost transfers (i.e., labor redistributions) must meet the same criteria.
- b. **Sponsored Project** – A project funded by a grant, contract, or cooperative agreement under which the university agrees to perform a certain scope of work, according to specified terms and conditions, and for specific budgeted monetary compensation. For purposes of this policy, sponsored projects include funds from federal, state, and private sources (i.e., Banner funds beginning with 21, 22, and 23).
- c. **Cost Share** – A portion of the total cost of a sponsored project that is contributed by the university or a third party. Dedicated cost share funds are separately established in Banner for

sponsored projects. Throughout the policy, any reference to sponsored project is intended to apply equally to cost share funds.

### 3. Allowability of Cost Transfers

Cost transfers to, from, or among sponsored projects and cost share funds are allowable only when there is a direct benefit to the project being charged. Transfers involving only non-sponsored sources are permitted in accordance with [OP 62.27, Interdepartmental Transfer of Costs](#).

a. Cost transfers involving sponsored projects are normally appropriate in the following circumstances:

- (1) To correct clerical and data entry errors or other errors identified during monthly review of grant ledgers;
- (2) A reallocation of salary costs to reflect actual expended effort;
- (3) Removal of unallowable expenses;
- (4) Transfer of expenses from non-sponsored accounts used prior to the execution and setup of the award (the use of advanced accounts is preferred, refer to [OP 65.10, Budgeting Sponsored Projects Prior to Receipt of Award](#)); or
- (5) To clear charges on overspent sponsored projects to non-sponsored accounts.

b. Cost transfers **may** be appropriate for the following reasons in limited circumstances. However, the requirement of initially charging costs to the appropriate funding source should normally be followed. At no time, should sponsored projects be used as holding accounts for expenses that will subsequently be transferred elsewhere.

- (1) To reallocate expenses where multiple projects benefit and a reasonable allocation was not possible until a later date;
- (2) To transfer charges from a departmental source pending identification of the sponsored project to which it should be charged;
- (3) When subsequent information indicates the initial charge was incorrect; or
- (4) To transfer expenses on a continuing project from the prior year FOP to the current FOP, provided there are no agency restrictions for such action.

c. Inappropriate reasons for cost transfers include, but are not limited to, the following:

- (1) To utilize unexpended funds on a sponsored project;
- (2) Transfers between sponsored projects to avoid or eliminate cost overruns;
- (3) For other cost management strategies;
- (4) To circumvent award terms and conditions; or
- (5) For matters of convenience.

### 4. Requirements for Cost Transfers

a. Cost transfers must be processed no later than 90 days after the date the original transaction was posted to Banner. Transactions made after this date are considered “late cost transfers” and will only be allowed in extenuating circumstances (see 5. below).

- (1) The Department of Health and Human Services (Banner funds beginning with 21F) will only allow cost transfers after the 90-day period with advance approval by the

grants officer. Therefore, if errors are identified on these funds beyond the 90-day period, the charges will be transferred to a non-sponsored fund.

- (2) Because the university is obligated to remove any and all incorrect charges made to sponsored projects, regardless of time frame, cost transfers from a sponsored project to a non-sponsored source will be allowed beyond the 90 days.
- b. Non-labor cost transfers are typically initiated by the department through the online system, FiTS. Labor redistributions are typically submitted, via email, to the Budget office on the [Labor Redistribution Form](#).
- (1) A description of the cost(s) being transferred, including when and where the original charge occurred;
  - (2) A **full explanation** of how the error occurred and/or why the receiving sponsored project was not originally charged (general statements such as “to correct an error” or to “transfer to the correct project” are not sufficient);
  - (3) Justification of the appropriateness of the charge to the receiving sponsored project;
  - (4) Certification of the correctness of the new charge by the principal investigator (PI) or his/her designee; and
  - (5) Explanation of any systematic and/or administrative deficiency giving rise to the transfer and how the deficiency will be addressed.
- c. All cost transfers resulting in charges to or among sponsored projects and/or cost share funds will be reviewed by AS before posting to Banner. Justification must be fully documented before AS will review the transfer request for allowability, reasonableness, and compliance with the requirements of the policy herein.

## 5. Requirements for Late Cost Transfers

Late cost transfers will be permitted only under extenuating circumstances, which include, but are not limited to:

- a. The official award document, including amendments and/or modifications, was received after the start date of the project, causing a delay in the establishment of the sponsored project fund in Banner.
- b. The official approval from the sponsor for specific actions, such as no-cost extension, was received after the expense was processed.
- c. Retroactive official approval from the sponsor for specific expenditures was received after the expense was processed.

The absence of the PI and/or a lack of knowledge or experience of the PI or his/her support staff do not constitute extenuating circumstances.

Requests for late cost transfers must also be submitted through FiTS or on the Labor Redistribution Form with an additional statement of the extenuating circumstance that prevented a more timely transfer and the steps that will be taken to ensure errors are detected and corrected in a more timely manner. Late cost transfers meeting the circumstances above will require PI approval.

## 6. **Roles and Responsibilities**

Compliance responsibility is shared by PIs, departmental support staff, and central administration.

### a. Departmental Support Staff

The departmental business manager or other designated support staff must provide the PIs with monthly ledgers and assist the PI in reviewing such reports on a timely basis.

### b. Principal Investigators

PIs must review their ledgers on a monthly basis in order to identify and communicate errors on their projects. PIs are responsible for ensuring cost transfers are fully documented and are processed timely in accordance with this policy. Frequent errors in the recording of costs may indicate the need for improvements in departmental processes.

### c. Accounting Services

AS will provide guidance to departments on the interpretation of federal regulations, sponsor terms and conditions, and the policy requirements contained herein. AS is also responsible for reviewing, approving, and escalating submitted cost transfers in accordance with this policy.