

Texas Woman's University University Regulation and Procedure

Regulation and Procedure Name: Cost Transfers Involving Sponsored Projects

Regulation and Procedure Number: URP: 04.210

Policy Owner: Academic Affairs and Finance and Administration

POLICY STATEMENT

It is important to recognize that cost transfers are an institutional compliance issue and have been the focus of recent federal audits of universities and colleges. Cost transfers must meet the cost principle standards of being allowable, allocable and reasonable as defined in the [Uniform Guidance](#). Frequent, tardy or unexplained cost transfers may raise doubts about the Texas Woman's University's stewardship of funds, as well as its accounting processes and internal controls.

This policy is issued to assure the integrity of Texas Woman's University's ("University") accounting for all charges (salaries, wages, goods and services) that are subsequently transferred to and/or from a sponsored project account after an initial posting to any account in the University's accounting system. In the context of this policy statement, accounts funded as sponsored projects include all grants and contracts in Fund 19 and Fund 10.

APPLICABILITY

This policy is applicable to TWU Faculty and Staff.

DEFINITIONS

1. "Cost Transfer" means a transaction that moves expenses from one account to another for the purpose of correcting an error, making an adjustment, or removing unallowable charges to a sponsored project account. The transaction requires a credit to the account relieved of cost, and an equal debit to account(s) absorbing the transferred cost.

REGULATION AND PROCEDURE

- I. General Information

- A. The University is committed to assuring that all cost transfers are legitimate, are accurately recorded in the accounting records and are in accordance with the sponsoring agency guidelines, regulations, specific legislative appropriations if applicable, as well as institutional policies.
 - B. Principal Investigators (“PI”) and the Office of Research and Sponsored Programs (“ORSP”) are responsible for ensuring that transfers of costs representing correction of errors are made promptly.
 - C. Cost transfers must be supported by documentation which includes a full explanation of how the error occurred, the account(s) involved in the original posting (print screen images of the postings and source documents) and an explanation of the correlation of the charge to the account to which the transfer is being made. Explanations such as “to correct an error” or “to correct the account number” are unacceptable because they do not provide sufficient explanatory information to justify the transfer.
 - D. Transfers of costs to any sponsored project account are allowable only where there is direct benefit to the specific project account being charged. Transactions incurred in the conduct of one sponsored project may not be transferred to another sponsored project account merely for the sake of resolving a deficit or a disallowed cost. Cost transfers should not be used as a means of retroactively managing award funds.
 - E. All cost transfers with the exception of salary transfers generated from effort reports should be made within 90 days from when the error was discovered. Cost transfers made after this period require prior approval by the Director of ORSP and will only be permitted under extenuating circumstances.
 - F. Transfers of salary costs prior to Personnel Activity Report (“PAR”) certification is not considered a cost transfer. Changes in payroll distribution are appropriate prior to certification. Salary distribution changes after certification are considered cost transfers and require ORSP approval.
 - G. Cost transfers that need to be processed for a completed fiscal year after the 60th day of the new fiscal year (October 30th) will require coordination and approval by the Controller’s Office.
 - H. Cost transfers to remove a disallowed cost must be completed as soon as possible after they have been identified.
- II. The Appropriate Account Should Be Charged Initially

A. The University standard requires that all costs charged to a sponsored project are correctly posted to the appropriate account, such that charges to sponsored projects must be:

1. **Allowable** (the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and institutional policy);
2. **Reasonable** (reflects whether or not the individuals concerned acted with due prudence under the circumstances prevailing at the time the decision to incur the cost was made);
3. **Allocable** (the cost has a direct benefit to the account being charged); and
4. **Treated consistently** (like costs incurred under similar circumstances are treated consistently throughout the University's accounting system).

B. Goods and services should be charged or allocated among awards at the time of the original purchase whenever possible and practical, to avoid unnecessary cost transfers. The PI and ORSP are expected to make personnel and corresponding payroll distribution determinations before any individual devotes effort to the project. When appropriate, ORSP requests that the Division of Finance & Administration set up pre-award cost accounts to alleviate the possible future need for a cost transfer.

III. Budget Manager Detail Reports Should Be Reviewed Regularly to Facilitate Timely Discovery of Errors

The PI or PI's designee should review at least quarterly the Budget Manager's Detail report. The PI must examine this Budget Manager's Detail report to identify legitimate errors in a timely manner and communicate required changes to ORSP promptly. ORSP will in turn notify the Controller's Office-Grant Accounting.

IV. Authorization and Documentation of Cost Transfers

A. Individuals who prepare, approve or authorize cost transfers involving sponsored projects must become familiar grant terms and conditions, university policy, and [Uniform Guidance](#). Additionally, all cost transfers involving sponsored project funds, whether personnel costs or costs of goods and services, require preparation and approval ensuring that no one person has complete control over all aspects of a financial transaction.

- B. The Grant Accounting Office of the Controller's Office is responsible for ensuring that requested transfers are made promptly and all required documentation is on file for sponsored project account cost transfers of non-payroll related transfers. Documentation related to each cost transfer for payroll cost on sponsored project accounts is maintained by ORSP.

V. Cost Transfer Approval

- A. The Controller's Office has the authority to approve and to post cost transfers to the University's financial system. The Controller's Office will reject any cost transfer not meeting the requirements of this policy.
- B. See the Cost Transfer Procedures for the form and the actions required to initiate and complete processing of the cost transfer request.

REVIEW

This policy will remain in effect and published until it is reviewed, updated, or archived. This policy is to be reviewed once every six years. Interim review may be required as a result of updates to federal and state law or regulations, Board of Regents policies, or internal processes or procedures.

REFERENCES

[Uniform Guidance](#)

[TWU Cost Transfer Procedure](#)

FORMS AND TOOLS

[Cost Transfer Request Form](#)

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