UTMB COST TRANSFER POLICY

I. PURPOSE

To clearly communicate the UTMB cost transfer policy. This policy addresses timing as well as process.

II. DEFINITIONS

Cost Transfer: A cost transfer occurs when an expense is transferred from one People Soft project, class or chart field value to another or from one People Soft account to another when an error has occurred. Cost transfers for purposes of this policy include all costs, salaries, benefits, M&O (maintenance and operation) etc. These transfers typically occur via payroll transfer or journal entry.

Office of Accounting: Formerly known as Financial Management. Accounting is charged with the responsibility of maintaining the official financial records of the institution. Accounting will determine the validity of all transactions affecting the institution’s funds and record these transactions properly in the institution’s official financial records.

Research Services: A combination of offices and functions under the direction of the Vice President for Research charged with the administration of sponsored research. Research Services is responsible for the proper stewardship of externally funded projects.

Salary Suspense Accounts: Salaries for all personnel scheduled to be paid throughout the period, or a portion, of a fiscal year shall be encumbered and assigned to a People Soft project, class during the budget cycle. Faculty and staff may have pending proposals that have been submitted for sponsored program funding but not yet awarded. This situation may result in a temporary lack of funding of salary appointments within a given fiscal year. UTMB has established Departmental Salary Suspense accounts for the sole purpose of sourcing individuals on an interim basis until funding is secured. These accounts are for sourcing purposes only and generally may not incur salary expenses. Each department is responsible for monitoring their suspense account(s). Each department is responsible for processing appropriate HRMS documents moving the payroll encumbrances prior to payroll expenses being incurred.

In order to take advantage of the Salary Suspense Account an agreement must be approved and signed by the department, and must be on file with the Office of Accounting. This agreement clarifies the general provisions of the account, as well as identifies and authorizes the use of a collateral account if expenses actually are inadvertently posted to the suspense account. These preauthorized expense transfers from the salary suspense account to the collateral account will occur within 90 days of the original expense posting and normally will not be eligible for transfer at a later date.
Collateral accounts: These accounts are departmental accounts identified in the Cost/Encumbrance Transfer and Salary Suspense Agreement.

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

Project Year: The period from the start date to the end date of a specific sponsored agreement. These may not follow UTMB’s fiscal year.

Reporting Dates: Federal financial reports are generally due within 90 days from the expiration date of the project. Other financial reports may be due as soon as 30 days from the expiration date.

Timeliness: For grants and contracts with various project years, timely is considered 90 days from the date of the transaction in accordance with federal regulations and institutional policy, unless the reporting date is earlier. For People Soft projects on the fiscal year basis, timely is considered 90 days from the date of the transaction in accordance with institutional policy or August 31st, whichever is earlier.

III. TIMING AND COMMUNICATIONS

Any expenses in excess of 90 days old normally will not be transferred. Transfers from fiscal year based projects must be made within the same fiscal year that the original expense was posted to ledger. For example: An expense is posted to ledger 8/01. The department finds an error and requests a transfer 10/01. This transfer would not be allowed since a new fiscal year began on 9/1/01. Please make every effort to review your account in a timely manner. Any exceptions must receive approval from the Director of Accounting, after review and approval by the Department Chairman or Administrator.

Transfers from project year based accounts must be made within the project period. These transfers cannot cross project years. For example: A department made a bulk purchase of supplies on 10/1/2001. A principal investigator receives a new grant with a start date of 1/1/2002 and wants to use some of the supplies on his new award. A cost transfer would not be allowed since the original purchase is prior to the start date on the new grant. Any exceptions must receive approval from the Director of Accounting or Director of Finance – Contracts and Grants as well as the appropriate area within Research Services.

Accounting, Payroll Services, and/or Research Services will communicate (usually email) with the Department Administrator, Account Owner and/or Principal Investigator and/or Account Administrator, once unallowable costs, cost overruns, encumbrances, and/or salary expenses on suspense accounts are identified. The communication will describe the costs to be transferred and any related deadlines, and the expected transfer date. The department may choose to
either use the pre-designated collateral account as determined by the agreement or may designate another account to which to transfer the costs. 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, Accounting, Payroll Services and/or Research Services will move the costs to the pre-designated collateral account and a notification (usually email) will be sent to the department indicating the transfer occurred, the date of the transfer, and a description of the costs transferred. In all cases, transfers will be communicated to the department at least once prior to the transfer notification.

IV. REQUIRED DOCUMENTATION

Departments may initiate a cost transfer by either sending a memo/email with a completed cost transfer form to the appropriate business office (Office of Accounting or Research Services), or by initiating an HRMS form when salaries are involved.

The description field on a cost transfer should contain the voucher number from the original transaction, the date the original transaction posted to ledger, the payee or vendor name, the People Soft account to which the original charge was posted, a description of the item being transferred, and a justification for the transfer.

Cost transfers must be for specific identified expenses. Cost transfers that say “to close account”, or “to transfer overrun” without a description of the specific expense will not be allowed.

Cost transfers must be in compliance with University policy, state, federal, and sponsor regulations. For example: An expense is posted to a designated account and the department submits a request to transfer the expense to a state account. The transfer would only be allowed if the original purchase meets the applicable guidelines for a state purchase (bid requirements, allowable expense, etc.)

V. CHARGES TO SPONSORED GRANTS AND CONTRACTS

Cost transfers to or from sponsored projects must be made promptly after an error is discovered. The transfer must be supported by a full, documented explanation as to how the error occurred and a certification of the correctness of the new charge. Frequent cost recording errors may indicate the need for improvements in the accounting system and/or internal control structure. 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 into a sponsored account must be directly related to that project and must meet the standards of allowability and allocability of the sponsored agreement. Federally sponsored accounts may not accept cost overruns from another account. Cost transfers to use available balances on terminating accounts are unallowable (Ref. OMB Circular A-21. C-4b).

Cost transfers to a sponsored grant or contract in which the original expenditure was incurred more than 90 days prior to the request will require special approval from the Department Chair/Administrator and the appropriate Director of Research Services. A memorandum must be used on this type of a cost transfer.

On cost transfers to a grant or contract a certification is required in the description section that indicates that the cost to be transferred is an appropriate expenditure for the sponsored grant or contract and that it complies with the terms and restrictions governing that sponsored grant or contract, for example:

I certify that the cost transferred is an appropriate expenditure for the sponsored grant/contract charged and that the expenditure complies with the terms and restrictions governing that sponsored grant or contract.

Name of Authorized Representative

Once an expense/cost has been certified as allowable and allocable to a particular grant/contract, the cost is ineligible for future transfers.

VI. ENCUMBRANCES and PURCHASE ORDERS

This section deals with non-salary encumbrances pending at the end of a project period. For allowable, valid encumbrances and where funds are available, the department will work with Purchasing and Research Services and provide the necessary documentation to clear the encumbrance. In all other circumstances, purchase orders will be moved to the collateral account when another departmental account is not identified within 30 days of the request to transfer.

Questions regarding this procedure should be directed to the Office of Accounting or the appropriate Research Services office.

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