



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.18, **Cost Transfers**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish a uniform procedure for the processing of cost transfers.

REVIEW: This HSC OP will be reviewed on July 1 of each odd-numbered year (ONLY) by the Director of Accounting Services, with recommendation for revisions forwarded to the Executive Vice President for Finance and Operations by July 15.

POLICY/PROCEDURE:

This policy applies only to cost transfers of **non-payroll** expenditures processed by Accounting Services. When a cost transfer of expenditures for payroll and related fringes is necessary, a request for Labor Redistribution must be submitted through the on-line Labor Redistribution system. Detailed instructions for using the Labor Redistribution system are located on the WebRaider portal, F&A Work Tools tab, Budget Channel.

It is the policy of the Texas Tech University Health Sciences Center that costs should be charged to the appropriate funding source when first incurred. There are circumstances in which it may be necessary to transfer expenditures to a different funding source subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with TTUHSC policy, and in those instances involving a sponsored project, with Federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects. Additionally, transactions involving E&G (state appropriated) funds require monitoring for compliance with State of Texas purchasing and expenditure guidelines and requirements. P-Card or other similar transactions expensed to state appropriated FOPs involving external vendors not registered in the Texas Identification Number System (TINS) are ineligible for reimbursement from the state unless the vendor has been onboarded through PaymentWorks. If a PaymentWorks registration is not completed the expense must be cost transferred to a local FOP.

When TTUHSC accepts Federal funding, it must comply with the allowability and allocability requirements of the Federal Cost Principles and the Uniform Administrative Requirements. To comply with the allowability and allocability requirements, it is necessary to explain and justify transfers of charges onto federal and non-federal sponsored projects from other federal or non-federal projects. Timeliness and completeness of transfers and the accompanying justification for the transfers are important factors in supporting allowability, allocability and cost compliance.

In order to maintain consistency in the treatment of cost transfers and to utilize available personnel resources as efficiently as possible, it is TTUHSC's policy on cost transfers to apply the more restrictive federal principles regarding timeliness and justification to all funding sources, with latitude for exceptions when non-sponsored funding sources are involved in the transfer.

1. Timeliness

Cost Transfer Requests must be requested and processed in the same fiscal year that the original expenditure was incurred.

All Cost Transfer Requests, except as provided for below, must be submitted within 90 calendar days of the day that the charge originally posted in Banner. Thus, fund managers should perform, at minimum, quarterly reviews of transactions posted in their respective funds. Any cost transfers received after the 90-day period will not be processed unless approval is granted by the Director of Accounting Services. Frequent requests for cost transfers after the 90-day period may require additional management review.

For sponsored projects with reporting deadlines before the 90-day period expires (for example, 45 days after the end of the project), Cost Transfer Requests must be submitted before the 5th business day prior to the reporting deadline.

Cost Transfer Requests received at fiscal yearend must be submitted in accordance with HSC OP 50.30 Year-End Close Processes and Deadlines. Cost Transfer Requests received after the published year-end processing deadline per HSC OP 50.30 will not be processed unless approval is granted by the Director of Accounting Services. The substance and amount of any such Cost Transfer Requests will be evaluated with respect to compliance with Federal, State, TTUHSC or other related policies, and with respect to materiality to the Annual Financial Report (AFR).

2. **Justification**

The Cost Transfer Request must include a complete explanation and justification for the transfer. The justification must be sufficiently detailed to provide Accounting Services with a reasonable assurance that processing the request will not result in a violation of accounting standards, reporting requirements, or with this TTUHSC policy. The Cost Transfer Request form is designed to document adequate justification of the related cost transfer. Thus, an incomplete Cost Transfer Request will be immediately rejected by Accounting Services and must be resubmitted through the process defined in this policy.

Following are examples of improper cost transfers justification and uses:

- a. Recurring allocations of routine expenses, including procurement card expenses that were not timely allocated before the monthly deadline
- b. Collections of fees for providing goods or services to internal departments
- c. Modifications to revenue classifications
- d. Transfers of revenue or funding

3. **Special Requirements for Grants, Contracts, and Other Sponsored Agreements**

Federal Office of Management and Budget Uniform Guidance 2CFR200 explicitly states that expenses may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience. When sponsored agreement records are audited or reviewed, inappropriate or poorly documented cost transfers can result in federal regulators denying reimbursement of these questionable charges or imposing other sanctions. Salaries, wages, goods and services that do not directly benefit an agreement may not be transferred to that agreement. Therefore, it is important to provide detailed written explanations justifying all cost transfers. When transfers are not adequately justified or are made for inappropriate reasons, the department is responsible for transferring the expenses to a non-sponsored departmental account.

Diligent review of financial records and timely communication between principal investigators and departmental administrators should prevent the necessity for transfers; however, under certain circumstances transfers may be appropriate.

- a. Allowable Purposes for Cost Transfers To or From a Grant, Contract, or Other Agreement
 - 1) To correct clerical and data entry errors
 - 2) To transfer expenditures as a result of the receipt of subsequent information which indicates an incorrect original charge
 - 3) To transfer expenditures related to a **continuing** project posted to the prior-year fund, as a result of the current-year fund not having been established when the charge was incurred, provided there are no agency restrictions on such actions. Although such transfers are allowable, they should be rare in occurrence. Fund Managers are expected to request new current year funds in advance of the expiration of the prior year fund in order to mitigate the posting of charges after the expiration of the prior-year fund.

- 4) To transfer expenditures related to the specific notice in writing from the sponsor authorizing the charging of pre-award costs to a new project, or related approval where the sponsor has delegated authority (usually limited to 90 days pre-award) to the institution.
 - 5) To reallocate an expenditure where multiple projects benefit and a reasonable distribution cannot be made until after the expenditure has been processed. However, the original expenditure should not be processed on a sponsored project fund in order to avoid possible non-compliance with cash management requirements caused by an incorrect request for reimbursement of the original charge.
 - 6) To move unallowable expenses off of a sponsored project.
- a. Unallowable Purposes for Cost Transfers To or From a Grant, Contract, or Other Agreement
- 1) To meet deficiencies caused by overruns or other fund considerations (OMB 2CFR200).
 - 2) To avoid restrictions imposed by law or terms of the sponsored agreement (OMB 2CFR200).
 - 3) To spend remaining funds on a project that is ending (OMB 2CFR200).
 - 4) For other reasons of convenience (OMB 2CFR200).
 - 5) To transfer expenses from one sponsored project to another unrelated sponsored project. Note that sponsored project funds should never be used as source of interim funding for new sponsored agreements awaiting fund establishment.

4. **Procedure for Cost Transfer Requests of Non-Payroll Expenditures**

The Financial Transaction System (FITS) Cost Transfer module should be used to submit all cost transfer requests. The FITS can be directly accessed at <https://fits.app.texas-tech.edu/index.gsp> or via the WebRaider portal, F&A Work Tools tab, Finance channel under Accounting Services. Detailed instructions for using the FITS are located at <http://www.fiscal.ttuhsu.edu/fsm/fitstraining.aspx> under Cost Transfers. A cost transfer request may be initiated by either the department to be charged or the department to be credited.

The Cost Transfer Request form available at www.fiscal.ttuhsu.edu/accounting/forms under Frequently Use Forms may be used in limited instances. The forms will not be accepted by Accounting Services if the transaction can be processed through the FITS. Examples of instances where the form is acceptable:

- a. The transfer of prior fiscal year expenditures is necessary to comply with external funding requirements (for example, transfers of disallowed costs on sponsored projects).
- b. To change an account code for a current fiscal year expenditure since the original expenditure was not coded correctly.

When submitting a Cost Transfer Request form, the criteria below must be met:

- a. All sections of the Cost Transfer Request form must be completed prior to submission to Accounting Services.
- b. A Cognos report showing the original charge and complete FOAP information must be attached to the request.
- c. Sufficient budget must be available on the fund receiving the charge.

Incomplete Cost Transfer Requests will be immediately rejected by Accounting Services and must be resubmitted through the process defined in this policy.

Once completed, the Cost Transfer Request form should be approved by the Fund Manager (or designated Approver per the Team App) for each fund involved in the cost transfer.

- a. If the same individual is the Fund Manager (or designated Approver) for more than one fund involved in the transfer, that individual need only submit one approval.
- b. Fund Manager (or designated Approver) approval can be accomplished by signature or via email approval.
- c. Email approval is preferred, with the related email containing the completed Cost Transfer Request form as an attachment, the Cognos report showing the original charge as an attachment, and an email string containing the approvals of all Fund Managers (or designated Approvers) in a single email.

Once all approvals are obtained, the Cost Transfer Request form should be submitted to Accounting Services via the central email account at hscacc@ttuhsc.edu.

- d. Additional considerations when requesting a cost transfer of non-payroll expenditures include:
 - 1) A Cost Transfer Request should be submitted to transfer actual expenditures, and not to modify/change Purchased Orders (POs) or Encumbrances. If an expenditure posts as a result of a payment against a PO or Encumbrance, the PO/Encumbrance must be modified in order to prevent future payments from posting to the incorrect fund. Fund changes or additions for POs and Encumbrances should be coordinated through Purchasing.
 - 2) If an expenditure posts as a result of a charge from an internal Service Department, a FOP change or addition must be coordinated with the Service Department administrator in order to prevent future charges from posting to the incorrect FOP.
 - 3) FOP changes or additions for contracts should be coordinated through Payment Services.
 - 4) Cost Transfer Requests submitted on the Cost Transfer Request form for procurement card expenditures or travel expenditures must be submitted separately and must contain all of the same information as other Cost Transfer Requests. Procurement card Cost Transfer Requests must also include a detailed description of the item(s) purchased.
 - 5) Cost Transfer Requests must be requested and processed in the same fiscal year that the original expenditure was incurred. Thus, Cost Transfer Requests for prior fiscal year expenditures are prohibited, with the exception of the transfer of expenditures necessary to comply with external funding requirements (for example, transfers of disallowed costs on sponsored projects). Such requests require approval by the Director of Accounting Services, and will be granted under very limited circumstances.

5. **Responsibilities Related to Cost Transfers**

a. **Accounting Services**

Accounting Services is responsible for proprietary review of all Cost Transfer Requests. If the Cost Transfer Request is deemed to be in compliance with this policy and is therefore approved, a journal voucher will be prepared to process the transfer.

- 1) Cost Transfer Requests submitted through the FiTS
 - i. Should the cost transfer be deemed as not appropriate, the request will be rejected and the preparer will be notified of the concern(s) via comments added to the Comments section of the Questions Attachments Comments tab of the FiTS. Accounting Services will not follow up on rejected Cost Transfer Requests. The preparer must re-submit the request once all issues have been addressed.

- ii. Month end close occurs on the 10th day of the subsequent month. If a Cost Transfer Request is submitted between the 1st and the 9th day of the month, the preparer must include a comment in the Comments section of the Questions Attachments Comments tab to indicate the transfer needs to be processed in the prior month, otherwise the transfer may be processed in the month the request is received in the Accounting Services queue. The Cost Transfer Request must be in the Accounting Services queue by the next to last business day prior to month end close, otherwise the request will be processed in the current month. Requests received on the 10th or the last business day prior to the 10th will be processed in the current accounting period.
- iii. The Cost Transfer Request, including justifications, attachments, comments, and approvals will be retained within the FITS as documentation to support the transfer.

2) Cost Transfer Requests submitted on the Cost Transfer Request form

- i. Should the cost transfer be deemed as not appropriate, the preparer will be notified of the concern(s) via email. If the preparer or applicable fund manager(s) is not able to resolve the concern within 5 business days of being notified, the request will be deleted with no further follow-up necessary by Accounting Services.
- ii. If a Cost Transfer Request is received between the 8th and the 10th day of any month (with month end close occurring on the 10th day of the subsequent month) and the transfer is requested to be processed in the previous month, such transfer, if approved, may be processed in the month received and may not be back dated to the previous month. The timing of the transfer is at the discretion of Accounting Services and will depend upon month end workload, disruption of other month end processes, and extenuating circumstances that justify the need for the transfer to be posted in the prior month.
- iii. Once approved and a journal voucher has been processed, the completed Cost Transfer Request form, the Cognos report showing the original charge, and any email approval will be attached to the journal voucher as documentation.

b. **Principal Investigator/Fund Manager**

Compliance with this TTUHSC policy is the responsibility of Fund Managers for all funds, as well as Principal Investigators (PIs) for sponsored project funds. Fund Managers and PIs should arrange for the periodic review of detailed charges to their respective funds. Such review should be followed by the immediate processing of any changes, transfers or appropriate adjustments. Further, the Principal Investigator is responsible for ensuring that only allowable and allocable costs are expensed against sponsored projects (See [HSC OP 65.04](#)). Additional Fund Manager Responsibilities are contained in [HSC OP 50.03](#).