COST TRANSFER POLICY ON SPONSORED RESEARCH

A. Purpose

The purpose of this policy is to reduce to a minimum Cost Transfers on sponsored projects, and to establish appropriate guidelines for processing such Cost Transfers in the exceptional cases where they are needed.

The allowability of project costs by federal sponsors is conditioned upon compliance with cost standards such as the requirements found in the Office of Management and Budget (OMB) Circular A-21. In most cases, the appropriate sponsored project(s) to be charged with a cost can be determined at the time the cost is incurred.

B. Persons Affected

This policy applies to:

1. All individuals, approving, or reviewing proposed or actual costs on sponsored projects, including:

    a. Principal Investigators/Project Directors

    b. Grants and Contracts Accounting

2. All federal and non-federal sponsored projects in order to maintain consistency in the treatment of Cost Transfers.

C. Policy

The policy of The University of Texas-Pan American is:

1. Project direct costs should be charged to the appropriate sponsored project when first incurred whenever possible.

2. Individuals who initiate or approve such charges should understand and properly apply applicable cost standards specified by project sponsors, such as OMB Circular A-21.

3. Cost Transfers affecting sponsored projects should be needed only on an exceptional basis. Processing such transfers is subject to the restrictions in Subsection F below. Exceptions to these restrictions are permitted only with the written approval of the Vice President for Business Affairs, and will not in themselves create a disallowance of the transferred cost under OMB A-21.

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D. <u>Definitions</u>

1. *Allowable Direct Costs.* Goods, services and compensation costs that are directly related to a sponsored agreement, as opposed to the "indirect" institutional overhead costs of providing facilities and administration.

   In order to be allowable as direct costs on federal sponsored projects under OMB Circular A-21 Section C, the costs must meet the following requirements:

   a. *Reasonable* - A cost may be considered reasonable if the goods or services acquired and the amounts paid for them are consistent with the action that an ordinarily prudent person would have taken under the circumstances.

      Major considerations involved in the determination of reasonableness are: (a) Is the cost generally recognized as being of a type necessary for performance of the project? (b) Have requirements imposed by such factors as arm's length bargaining, Federal, state and university policies, and sponsored agreement terms and conditions been met? (c) Have the individuals involved acted with ordinary prudence in the circumstances? (d) Were established institutional policies followed?

   b. *Allocable* – If goods, services or compensation costs are incurred solely to advance the work under a sponsored project, the costs are allocable to that project.

      If goods, services or compensation costs benefit two or more projects or activities in proportions that are practical to determine, the costs should be allocated to the projects or activities based on the proportional benefit.

      If goods, services or compensation costs benefit two or more projects or activities but the proportional benefit is not practical to determine, the costs should be allocated to the projects or activities on any reasonable basis.

      Any costs allocated to a sponsored project as described above may not be shifted to other sponsored projects 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 any other reasons of convenience.

   c. The cost must be given consistent treatment through the application of generally accepted accounting principles which are appropriate to the circumstances.

d. The cost must conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored project agreement.

2. *Cost Transfers.* Transfers to or from a sponsored account of a charge that was previously recorded on another account or to another funding source. This Section only addresses Cost Transfers related to effort commitments.

3. *Committed Effort or Effort Commitment.* The amount of Effort proposed in a grant or other project application that is accepted by a sponsor, regardless of whether salary is requested by the effort.

4. *Principal Investigator (PI) or Project Director (PD).* The individual who will direct the project and who is designated by the University as responsible for completing it as agreed upon.

5. *Sponsored Project.* A project funded by an award from a grant, contract, or agreement under which the University agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budget and period.

E. <u>Responsibilities</u>

1. Each Principal Investigator/Project Director is responsible for:

   a. Ensuring that direct costs on his or her sponsored projects are allowable.

   b. Managing sponsored projects to minimize the need for Cost Transfers.

   c. Initiating requests for Cost Transfers, where necessary, and providing appropriate justification for them.

   d. Obtaining guidance from the Office of Research and Sponsored Projects for any questions that arise about allowable costs.

   e. Obtaining guidance from Grants and Contracts Accounting for any questions that arise about allowable direct costs other than compensation costs.

2. Grants and Contracts Accounting is responsible for:

   a. Responding to questions about allowable costs other than compensation costs.

b. Reviewing and approving Cost Transfers of costs other than compensation costs in accordance with this Section.

c. Providing oversight of Cost Transfers other than compensation Cost Transfers, analyzing the cause(s) of transfers deemed excessive and providing training and taking other corrective action as appropriate.

F. Procedures

1. Transfer of costs other than compensation costs: Principal Investigators/Project Directors submit electronic requests to the Budget Office and to Grants and Contracts Accounting, for approval. These transfers should be recorded within 90 days of the original transaction.

2. Compensation Cost Transfers: Principal Investigators/Project Directors make requests for transfers in the form of a Change in Memorandum of Employment submitted to the appropriate chair and dean or director. The associated effort certification should be forwarded upon completion of the cost transfer. Submission should be made no later than 90 days after the end of the time period for which effort is being certified.

3. Cost Transfers that are submitted later than 90 days after the original transaction and those cost transfers that are in excess of 5% of the annual award require approval of the Vice President for Business of Affairs or his or her designee.

4. A compensation Cost Transfer submitted after the effort certification process for a period and its associated adjustments have been completed is not permitted unless it benefits the sponsor by removing the costs from the sponsored project.

5. Each request for Cost Transfer must have adequate support documentation explaining the reason it is necessary and establishing that the resulting distribution of costs to sponsored projects is allowable by the project sponsors. To indicate “to correct an error” or “to transfer to correct project” are insufficient reasons absent additional specific factual support and/or documentation.

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G. Review

The Divisional Head for this policy is the Provost and this policy shall be reviewed every five years or sooner if necessary by the following Stakeholders:

1. Vice Provost for Research and Sponsored Programs – Senior Reviewer
2. Academic Affairs Executive Team
3. Faculty Senate Chair
4. Staff Senate Chair
5. Student Government Association President
6. Sponsored Projects
7. Supervisor Grants and Contracts
8. Comptroller
9. Executive Director CoServe
10. Director GearUp Project
11. Director CASP