The purpose of these guidelines is to provide information about cost transfers. The federal government through Code of Federal Regulations Title 2: Grants and Agreements Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2CFR Part 200) establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions, as well as proper documentation required. To comply with the cost allowability and allocability requirements, it is necessary to explain and justify transfers of costs from one account to another.

Definition

A cost transfer is an after-the-fact reallocation of a cost from one account to another. Although it is preferable to charge costs to the correct account when they are incurred, cost transfers are on occasion necessary. To be allowable, cost transfers must be timely and fully documented, they must conform to University and sponsor allowability standards (allowable under the terms of the sponsor agreement), and they must have appropriate authorization.

Guidelines

The University’s cost transfer policy is applicable to all federally funded grants and contracts. Cost transfers must stand the test of being allowable, applicable and reasonable, in order to be deemed an allowable charge to a sponsored project. Cost transfers are almost always reviewed when an account, department or university is audited. When reviewing cost transfers, the burden of proof regarding allowability is on the department.

Cost Transfer Allowability

In order to transfer cost to a sponsored project, the cost must meet the following:

- **Allowability**: It must be allowable under the terms and conditions of the award, including the authorized budget and applicable regulations. 2 CFR 200.403
- **Allocability**: The goods or services must benefit the award charged. Goods or services shared by more than one project are allocable in proportions that can be approximated through actual use. 2 CFR 200.405
- **Reasonableness**: A cost may be considered reasonable if the nature of the goods or service acquired, and the amount paid, reflect the action that a prudent person would have taken at the time the decision to incur the cost was made. 2 CFR 200.404
- **Consistency**: The application of cost must be given consistent treatment within established University policies and procedures including Generally Accepted Accounting Principles and Cost Accounting Standards as issued by the Federal Cost Accounting Board. 2 CFR 200.403
- **Timeliness**: All cost transfers should be made within 90 days of the end of the month in which charges were initially posted or within 30 days of the expiration of the grant and prior to the final financial report being filed. The 90 days begins at the end of the accounting month that the original transaction was posted. Documentation is required and all transfers are conditional subject to prior approval by the Grants and Contracts Department.
If an expense cannot meet the above criteria, it is NOT eligible to be charged against the sponsored project. Any audit-derived disallowed cost will be borne by the department(s) that caused them.

**Criteria for Cost Transfers**

Cost transfers shall be allowable only with proper justification, documentation and approval. An adequate explanation for a cost transfer must be clearly stated on the transfer document and additional documentation provided when requested.

- The transfer must relate to a specific item of cost incurred by the unit preparing the adjustment. The quantity and goods or services must be specified.

- Each transfer must be in proportion to the benefits received from the goods and services.

- A cost transfer must be in the same amount as the original charge unless a portion of the expense is to be transferred. If only a portion is transferred, a clear explanation needs to be given as to the basis for the division of cost.

- All expenditures must be in compliance with University policies and the requirements of the funding agency.

- The allocations must be reasonable, allowable, allocable and consistent. The department must maintain the appropriate records and usage logs to substantiate all charges redistributed.

**Cost Transfers within the Accounting Period**

The cost transfer form and justification are not required, for the following, but documentation of the expense must accompany the journal entry.

- Cost Transfers made within the same accounting period (month of the original charge) only require a journal entry with an explanation in the description field and documentation of the expense.

- The fiscal year begins July 1st and ends June 30th of the next calendar year. The fiscal year is comprised of 12 accounting periods.

- An accounting period (or each month) runs from the first calendar day of a month through the second working day of the following month. Please ensure that the transaction date on the journal is for the prior month in order for the journal to be included in the correct month. To ensure that the journal is posted within the correct accounting period you are urged to process the journal entry prior to the month end closing.

- **Cost transfers to correct an expense improperly classified in the wrong account code (object code).**
Cost transfers made within 90 calendar days requiring only a journal entry.

The cost transfer form and justification are not required, for the following, but documentation of the expense must accompany the journal entry.

Please note that 90 calendar days is not three months. Use the Cost transfer calculator to determine the deadline for your cost transfer.

- Transfer of pre-award expenses which were charged to a departmental account (see Extenuating Circumstances).
- Routine reallocation of costs charged elsewhere.

Routine reallocations of costs can be characterized as the distribution of shared services or service center charges to sponsored and/or non-sponsored awards based on an allocation methodology. Examples include: telephone, photocopying, service center, animal per diems, glass washing, materials and supplies, technical support, and data storage. Routine reallocation of these costs to federal awards must be done within 90 days of the original charge. Distribution must occur at regular intervals (e.g. monthly).

Cost Transfers made within 90 calendar days requiring a Cost Transfer Request form with Questions 1-3 answered.

If the cost transfer is requested within 90 calendar days of the transaction Questions 1 - 3 on the Cost Transfer form must be answered and the documentation of the expense must accompany the Cost Transfer. (Use the Cost Transfer calculator to determine the deadline for your cost transfer).

- All cost transfers should be made within 90 days of the end of the month in which charges were initially posted or within 30 days of the expiration of the grant. The 90 days begins at the end of the accounting month that the original transaction was posted. Documentation is required and all transfers are conditional subject to prior approval by the Grants and Contracts Department.
- A “Cost Transfer Request” form should be completed and signed by the Principal Investigator, Chair/Department Head and send to the Grants and Contracts Department. All requests for cost transfers must be accompanied by supporting documentation.
- The Principal Investigator will be notified by the Grants and Contracts Department if the cost transfer is approved. If approved, the department will prepare a journal entry to transfer the expense.

Cost Transfers made more than 90 calendar days requiring Cost Transfer Form with Questions 1 - 6 answered.

If the cost transfer is being requested when more than 90 calendar days have passed since the close of the accounting period when the original transaction was posted to the general ledger, an explanation for the lateness of the cost transfer and your plans to avoid this situation in the future (questions 1-6 on the “Cost Transfer Request” form are required).
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Cost Transfers Policy

It is the responsibility of the grantee and the PI to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

- Cost transfer after 90 days are only approved in extenuating circumstances.

- A cost transfer request submitted after 90 calendar days requires the completion of a “Cost Transfer Request” form signed by the Principal Investigator, Chair/Department Head and Dean. All requests for cost transfers must be accompanied by supporting documentation and a full written explanation of the late adjustment.

- The Principal Investigator will be notified by the Grants and Contracts Department if the cost transfer is approved. If approved, the department will prepare a journal entry to transfer the expense.

Preparation of Cost Transfers/Expenditure Adjustments

Appropriate Reasons for Cost Transfers – Once an entry has been recorded in the general ledger, cost transfers may be made only in the following situations:

- To correct an erroneous recording when the original source document or subsequent interim transaction (e.g. PO, Payroll transaction, Journal, AP transaction, etc.) contained an incorrect account or amount.

- To distribute/allocate certain high frequency, but small amount individual charges, such as copy machine costs, mailing charges, telephone charges, office supplies, or fax charges billed to a central department, but may be proportionally applied to other activities, project or funds under the jurisdiction of the department.

- To record a change in use of goods or services, for example a case of beakers originally ordered for and charged to a teaching program, but subsequently required by and transferred to a research project.

- To transfer labor dollars to align with actual effort devoted. (Must be consistent with the Time and Effort certification documents for the specified period).

- To correct a clerical or bookkeeping error such as transposition of numbers.

- To redistribute purchasing card charges amongst object codes within the same project.

Inappropriate Types of Cost Transfers – No Cost Transfers shall be made:

- For reasons of convenience.

- After the allowable 90 day time frame. **Extenuating circumstances will be reviewed and considered on a case-by-case basis by the Grants and Contracts Office.**
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Cost Transfers Policy

- Payroll cost transfers will not normally be approved if the effort certification for the period has been certified. If approved, the effort report must be re-certified.

- To enable sponsored project accounts to be used intentionally as “holding”, “clearing” or “rotating” accounts to redistribute costs to other accounts at a later date.

- To transfer costs from any unrelated account in overdraft status (except where the original expenses were incorrectly charged) to a sponsored project account.

- For the sole intent of using up the unexpended balance in the last months of a project.

- Cost transfer will not normally be approved for charges made within 30 days of the grant expiration date or after the end of a grant unless they are for routinely charged expenses made though out the grant period.

- Cost transfers are not allowable following the submission of the final expenditure report to the sponsor, unless they are for removing unallowable cost.

- Cost will not normally be transferred more than once. Since the original cost transfer has already been justified, documented, reviewed, and accepted as appropriate, a second transfer of the same cost is highly suspect and should be unnecessary.

Federally funded accounts should not be used as holding accounts for expenses which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or the new account number has not yet been received

Extenuating Circumstances

There are a limited number of extenuating circumstances for which a cost transfer over 90 days will be allowed. Examples of acceptable extenuating circumstances are:

- Late issuance of appropriate document for reason beyond the control of the requestor, such as late issuance of an award by a funding agency. Justification and support will be required and reviewed on a case by case basis. It is recommended that a pre-award spending account be requested by the Principal Investigator to eliminate the need to request a cost transfer when the award is received.

- Failure of another department to take action. The original or copy of supporting document will be required.

Non-Extenuating Circumstances

Extenuating circumstances do not include the following:

- Absence of the Principal Investigator or responsible administrator.
- Shortage or lack of experience of staff.
It is the responsibility of the College/Department and the Principal Investigator to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

Record Retention

Documentation for transfers must be maintained within the department for three years after the completion of the entire project. If the project has been selected for audit all documentation must be maintained until after the final audit response is issued.

Accountability

The responsibility for compliance with University, Federal, and agency regulations and guidelines and for maintaining supporting documentation for transfers/adjustments resides in the originating department/unit. Deans, Directors and Chairs, and those who have authority to approve adjustments are responsible and accountable for compliance with University and agency regulations.

Sources of Federal Guidelines

  
  http://www.ecfr.gov/

University Form

- Cost Transfer Request
- Cost Transfer FAQ's
- Cost Transfer Calculator
- Cost Transfer Flowchart

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Grants and Contracts Office