

COST TRANSFER POLICY AND PROCEDURES

DEFINITION

Cost transfers are accounting transactions that move an expenditure from one account to another account.

BACKGROUND

The Uniform Guidance ([2 CFR Chapter I, and Chapter II, Parts 200, 215, 220, 225, and 230 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”](#)) governs the cost principles for federal awards and requires that sponsored program costs must conform to the following criteria. Costs must be:

- **Allowable** – the type of cost is permitted to be charged under the terms and conditions of the sponsored award.
- **Allocable** – the items or services purchased must benefit the award against which they are charged. Items and services shared by more than one project are allocable in proportions that can be approximated through actual use.
- **Reasonable** – costs are considered reasonable if the nature of the goods or services acquired and the amount paid reflect the action that a prudent person would have taken at the time the cost was incurred.
- **Consistently treated** – costs incurred for the same purpose in similar circumstances should be treated the same.
- **Timely** - costs must be applied to projects in a timely fashion. Most sponsors require cost transfers to occur within ninety (90) days of the discovery of the need for a cost transfer. Exceptions require full documentation of the reason for the delay in transfer.

Cost transfers are occasionally necessary and may be required for various reasons. However, costs must still meet the above criteria. Furthermore, excessive cost transfers are often viewed by auditors as potential evidence for an inadequate accounting system and/or fraud so procedures must be in place to assure cost transfers are processed in a timely manner and undergo appropriate review and approval.

PURPOSE

This policy establishes requirements for cost transfers to or from sponsored program accounts to assure full compliance with federal regulations, generally accepted accounting principles and good management practices. Furthermore, the policy will ensure that all costs incurred are appropriate, are for the direct benefit of the project charged, and that timely and accurate accounting records are maintained.

RESPONSIBILITY

Principal Investigator: It is the responsibility of the Principal Investigator and his/her department, unit and college to ensure that only allowable, allocable, reasonable and consistent costs are expensed against a sponsored programs account.

Office of Sponsored Programs: It is the responsibility of OSP to review cost transfers for allowability, allocability, reasonableness and consistency.

POLICY AND PROCEDURES

When a cost has been applied to a sponsored program account, cost transfers may be made in the following situations:

- a. To correct an erroneous charge when the original source document or subsequent interim transaction contained an incorrect account number or amount.
- b. To distribute/allocate small individual charges such as copy machine costs, mailing charges, telephone charges, office supplies, or similar costs, billed to a central department/unit to sponsored program accounts in proportion to the use of the items or services on the sponsored program.
- c. To transfer expenses incurred after the termination of a sponsored program account to an unrestricted account.
- d. To transfer expenses incurred on an unrestricted account due to delay of a Notice of Award.
- e. To transfer expenses incurred on an unrestricted account as pre-award costs (may require sponsor approval) to a sponsored programs account.
- f. To confirm accurate time and effort distributions.

Criteria for cost transfers:

- a. The transfer must relate to a specific good or service incurred by the unit preparing the transfer request. The quantity of goods or services must be specified.
- b. Each transfer must be in proportion to the benefits received from the goods and services.
- c. Transfers 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 must be provided for the basis of the division of cost.
- d. All expenditures must be in compliance with university policies and the requirements of the award.
- e. The methodology adopted to prepare cost transfers must be allowable, allocable, reasonable, consistent and timely.
- f. Cost transfers should be made within ninety (90) days of the discovery of the need for a cost transfer unless extenuating circumstances are present that wouldn't allow a more timely transfer.
- g. Payroll cost transfers will require changes to time and effort reporting of project personnel. Principal investigators and other key project personnel must update time and effort certification promptly upon Sponsored Programs approval of payroll cost transfers.

Extenuating Circumstances

Approval of cost transfers older than ninety (90) days from date of the discovery of the need for a cost transfer may be considered for the following reasons:

- a. Late issuance of appropriate documentation for reasons beyond the control of the requestor, such as late issuance of an award or modification by a funding agency. Justification and support will be reviewed on a case by case basis.
- b. Failure of another university department to take action when supporting documentation had been properly submitted. Original or copies of supporting documentation will be required.
- c. Other appropriate rationales may be considered. Justification and support will be reviewed on a case by case basis.

Inappropriate cost transfers (not all inclusive):

Cost transfers initiated for the following reasons are inappropriate and will not be allowed:

- a. Solely to avoid or reduce overruns on other sponsored program accounts
- b. To avoid restrictions imposed by law or by the terms of the award
- c. For reasons of convenience

Examples of Cost Transfer Justifications

Incomplete Explanation	Complete Explanation
To correct an error. To correct coding.	To correct data entry error: Account 2221-272-XXX should have been Account 2221-283-XXX.
To charge correct account number	To transfer program costs from unrestricted department Account XXXX-XXX-XXX to existing award's account number because sponsor issued a modification to the award.

Invalid Reasons for Transfers	Valid Reasons for Transfers
Department duties did not allow time for correction.	To transfer pre-award costs to the continuation of the project.
Administrator on vacation.	To transfer costs from unrestricted account XXXX-XXX-XXX to project account XXXX-XXX-XXX per sponsor's written approval (attached).
Principal Investigator out of town.	Proportional distribution of costs incurred on department account XXXX-XXX-XXX to be charged to sponsored program account XXXX-XXX-XXX and XXXX-XXX-XXX in the following manner, based on usage as evidenced by attached records/documentation.

Cost Transfer Form

Cost transfer requests must be submitted to the Office of Sponsored Programs on the UNLV Cost Transfer Request for Sponsored Activities form and appropriate documentation for the transfer must be provided. The cost transfer itself must be prepared on the UNLV Journal Voucher form. The Principal Investigator must sign both forms.