1. **Purpose/Introduction**

A cost transfer is the reassignment of expenditure from one fund to another fund. When the project *receiving* the expense is a sponsored grant or contract, the University, as a recipient of federal funds, is required to comply with the requirements of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards set forth in 2 CFR part 200, regardless of the source of the sponsored award.

Faculty and staff should make every effort to allocate sponsored project costs to the appropriate university fund at the time the costs are initially incurred. It is the responsibility of the Principal Investigator (PI) to review expenditure activity on all awards regularly to ensure all expenses are directly related to the project and are allowable, reasonable, and allocable under the terms of the sponsored agreement. Frequent, late, and inadequately explained transfers raise serious questions about the accuracy of the transfers, but also about the university’s accounting system and internal financial controls. This is especially the case with transfers that involve projects with cost overruns or unexpended balances. These activities may result in audit disallowances and monetary paybacks, including penalties and fines.

The University is committed to ensuring that all cost transfers, including labor distribution adjustments and non-salary journal entries, are appropriate and conducted in accordance with sponsor terms and conditions, federal regulations, and University policy.

Cost transfers may be initiated for personnel or non-personnel costs. In the case of personnel costs, the time and effort certification process may determine that an error has occurred in allocating payroll to a project. It is important that the payroll be reallocated through payroll administrative processes and recertification of effort be completed in a timely manner.
2. **Scope**

All expenditures for sponsored projects, including both personnel and non-personnel costs.

3. **Definitions and Responsibilities**

3.1 **Definitions**

*Allocable* – Costs that benefit the award charged. Costs shared by more than one project should be allocated in proportions that can be approximated with a high degree of accuracy through actual use.

*Allowable* – Costs allowable under the terms and conditions of the award, including the authorized budget and applicable regulations.

*Consistent* – Application of the cost is given consistent treatment within established University policies and procedures; costs for the same purpose are treated and classified the same way under like circumstances.

*Cost Transfer* – An after-the-fact reallocation of costs, either salary or non-salary, to a sponsored project within 90 calendar days from the original accounting date.

*Late cost transfer* – An after-the-fact reallocation of costs, either salary or non-salary, to a sponsored project greater than 90 calendar days from the original accounting date.

*Original Charge* – The first posting of a cost to the general ledger.

*Reasonable* – The nature of the goods or services acquired, and the amount paid to reflect the action that a prudent person would have taken at the time the decision to incur the cost was made.

3.2 **Roles and Responsibilities**

The PI and authorized personnel are responsible for:

- Reviewing and reconciling sponsored projects on a regular basis (at least monthly) to ensure that all expenditures are correct and appropriate
- Managing projects effectively to minimize the need for cost transfers
- Submitting and approving cost transfers in compliance with this operating standard and associated procedures
- Retaining all supporting documentation of the cost transfer in accordance with applicable record retention requirements

- Ensuring that all personnel engaged in the financial administration of
Federally funded projects are familiar with this operating standard and procedure.

**CGA is responsible for:**
Reviewing and approving cost transfers to ensure compliance with University and Federal regulations.

### 4. Policy

CGA monitors and approves sponsored cost transfers pertaining to the salaries of personnel working on a sponsored project as well as supplies, equipment, travel, and other expenses. Cost transfers for supplies, equipment, travel, and other expenses not associated with personnel are to be transferred within 90 days of incurring the expense and must be done in accordance with all governing regulations. If unallowable project expenditures are discovered, they will be removed without regard to time limits.

In consideration of a cost transfer, the following requirements must be considered:

- Is the cost allowable by federal regulations, state regulations, UNC Greensboro policy, sponsor terms and conditions, and contractual terms and conditions?
- Is the transfer reasonable? Does it reflect a direct benefit to the project being charged?
- Is the cost allocable and treated consistently? Does the cost have a direct benefit to the sponsored project being charged, and are like costs in similar instances treated consistently throughout the University?

Cost transfers must be supported by documentation which clearly states:

- a justification of why the error occurred
- how the expense relates to the project being charged
- a plan to prevent similar errors in the future

Departments should use Assumption of Risk accounts (AOR) where appropriate, ensuring costs are charged timely and correctly avoiding unnecessary cost transfers.
5. Compliance and Enforcement

Contract & Grant Accounting is responsible for ensuring compliance with this policy.

6. Additional Information

6.1 Supporting Documentation

- Uniform Guidance 2 CFR 200, Cost Principles
- Reclass Expenditure Form
- Contract and Grant Accounting Procedure 4 Cost Transfers on Sponsored Projects
- Payroll Policy 3 Changes and Corrections to Payroll Labor Charges
- Payroll Labor Redistribution Form
- Assumption of Risk accounts
- non-salary journal entries

6.2 Approval Authority

This policy will be approved by the Interim Associate Vice Chancellor for Finance.

6.3 Contacts for Additional Information

- Responsible Executive: William Walters, Director Contract & Grants Accounting. (336)334-5824, wdwalter@uncg.edu