

# Cost Transfers on Sponsored Projects: Policy

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**Responsible College Officer**  
Senior Director for Financial Analysis

**Responsible Office**  
Research Accounting

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## Policy Statement

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It is the policy of the Weill Cornell Medicine (WCM) that costs should be charged to the appropriate sponsored project when first incurred. There are circumstances in which it may be necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with WCM policy, Federal regulations, and the cost principles that underlie fiscal activities on sponsored projects.

All cost transfer requirements necessitate an explanation and justification for the transfer of charges onto federal awards from other federal or non-federal projects. Timeliness and completeness of transfer explanations are important factors to comply with allowability and allocability requirements.

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## Reason for Policy

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Proper management of funds is essential to uphold the fiduciary responsibilities of the College. To comply with the cost allowability requirements of Uniform Guidance and the NIH Grants Policy Statement, it is necessary to explain and justify transfers of charges into federal awards from other federal or non-federal accounts. Frequent, late, and inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances, raise serious questions about the propriety of the transfers and may result in expenditure disallowances and/or subsequent reduction in funding. Accurate internal transactions will improve the quality of financial reporting, improve compliance with regulatory requirements, and minimize inefficiencies in document correction.

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## Who Should Know This Policy

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- Dean
- Senior Administration – Vice Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel
- Research Compliance Personnel
- Research Integrity Personnel
- All Employees
- Information Technology Personnel
- Human Resources Personnel
- Students

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## Contacts

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Subject	Contact	Phone	E-mail
Policy questions	Edward C. Walsh	(646) 962-3632	<a href="mailto:ecwalsh@med.cornell.edu">ecwalsh@med.cornell.edu</a>
Document instructions	Melissa Paray	(646) 962-3653	<a href="mailto:mep2005@med.cornell.edu">mep2005@med.cornell.edu</a>
Grants & Contracts Administration	Amy Lane	(646) 962-8287	<a href="mailto:aaz2001@med.cornell.edu">aaz2001@med.cornell.edu</a>
Institutional research compliance issues	Michelle A Lewis	(646) 962-4035	<a href="mailto:mil2006@med.cornell.edu">mil2006@med.cornell.edu</a>

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## Applicable WCM Policies

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- Time and Effort Reporting Policy
- Charging of Direct Costs to Sponsored Projects Policy
- Cost Sharing Policy and Procedures

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## Applicable Federal Regulations & Criteria

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We are given funding from the Federal government with specified terms and conditions, including a requirement that WCM comply with applicable principles on charging costs to Federal projects. The primary sources of these cost principles is the Uniform Guidance and the NIH Grants Policy Statement.

The Uniform Guidance and NIH Grants Policy Statement requires that WCM maintain documentation of cost transfers, and must make it available for audit or other review. The grantee should have systems in place to detect such errors within a reasonable timeframe; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, grantees are encouraged to evaluate the need for improvements and to make whatever improvements deemed necessary to prevent reoccurrence. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s).

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## Overview of Cost Transfers

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A **cost transfer** is an after-the-fact reallocation of the cost associated with a transaction from one account to another account(s). It is the expectation that all PIs and their supporting administrative staff understand the importance of reviewing their research accounts on a regular basis to ensure that costs are being allocated to the correct funding source initially, and that all costs charged to a funding source are appropriate and correct. It should be noted that when good faith attempts are made to allocate costs to their appropriate funding source initially, the need for cost transfers should be minimal.

Transferring costs between funding sources will only be allowed if the transfer is in accordance with institutional policies and is also fully compliant with all contractual terms and conditions, agreements and external regulations and guidelines. All cost transfers to and from sponsored projects must also meet the cost consideration requirements defined by the Uniform Guidance and the applicable funding agency guidelines (i.e., NIH Grants Policy Statement or NSF PAPPG).

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## Permissibility of Cost Transfers

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### Timeliness

Cost transfers should be processed as soon as possible after the original transaction, but in any case **not later than 90 days** after the date of the original transactions. Transfers made after this period of time raise questions concerning the propriety of the transfer and could potentially heighten the level of scrutiny applied to all cost transfers college-wide. Requests for transfers made after 90 days will be considered only under extenuating circumstances. WCM is obligated to immediately remove and correct any incorrect charges made to sponsored accounts, regardless of timeframe.

### Appropriateness

Cost transfers are appropriate when they are reasonable, allocable, allowable, consistent, and conform to guidelines (as defined by institutional policy and the sponsor guidelines). Typically, the purpose of cost transfers is to correct errors in processing the original charges, move costs between accounts for closely related work supported by more than one funding source, or to transfer pre-award costs in accordance with the provisions of the Uniform Guidance and/or in conformance with sponsor guidelines. At no time should federally funded accounts be used as holding accounts for expenses that will subsequently be transferred elsewhere, including to competing continuations of the same project for which the notice of award or the new account number has not yet been received.

Cost transfers may be appropriate in the following circumstances:

- Cost transfers to correct clerical errors
- Cost transfers to reallocate effort to reflect actual charges
- Cost transfers for the removal of unallowable expenses
- Cost transfers for the allocation of costs benefiting more than one project
- Internal cost transfers between non-sponsored accounts
- Cost transfers of out-of-period charges

Inappropriate circumstances for cost transfers include, but are not limited to, the following:

- Cost transfers used as a cost management strategy
- Cost transfers between sponsored projects to avoid or eliminate cost overruns

- Cost transfers for any other reasons of convenience
- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers that circumvent pre- and/or post-awards restrictions

**Explanation and Documentation Requirements**

Each cost transfer must be clearly explained with supporting documentation. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee. The PI initiating the transaction has primary responsibility for fulfilling these requirements and maintaining the related records.

The written explanation and supporting documentation should clearly address **all** of the following:

- A description of the expenses being transferred, including why and when the original charge(s) occurred.
- Why the receiving account was not originally charged.
- Why it is appropriate to charge the receiving account and how the expense is allocable to that account.

An explanation merely stating that the transfer was made “to correct an error” or “to transfer to the correct project” is not sufficient.

**Documentation for WCM Cores/Recharge Centers**

Research core service charges are recorded as an expense on federal grants and contracts and such transactions are subject to the annual A-133 and federal audits. An auditor may choose to remove a research core expense on a federal award if the basis for the core charged to the award is not documented. In such cases, the Director of the Core Lab Center will review the situation and determine how to absorb the removed expense and ensure that the core director complies with the WCM Research Core Facilities Policy to review and document user fees on an annual basis.

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**Roles & Responsibilities**

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<b>Responsibilities</b>	<b>PI</b>	<b>Dept Admin</b>	<b>Dept/Div Chair</b>	<b>Finance</b>	<b>Research Compliance</b>
Prepare documentation/justification for cost transfers (on Transfer of Funds or Expenses Form - electronically or hard copy)	P	S		O	
Process cost transfer requests				P	
Review and approve cost transfer requests for compliance with College policy				P	
Provide institutional oversight on cost transfers				P	O

<b>KEY</b>
P = PRIMARY RESPONSIBILITY
S = SECONDARY RESPONSIBILITY
O = INSTITUTIONAL OVERSIGHT
O - L = LOCAL OVERSIGHT
I = PROVIDE INPUT

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## Procedures

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*Cost Transfers on Sponsored Projects: Procedures*

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## Forms/Instructions

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The following instructions and forms support this policy:

*Transfer of Funds or Expenses Worksheet* (online data entry sheet, and paper form)

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## Appendices

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### Appendix A – Frequently Asked Questions

#### **Q. Why is the time-period 90 days?**

Ninety- (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper project and function. It is not a standard established by regulation or law. Rather, it is based upon a practical standard that it is reasonable to expect that costs can be properly assigned within three (3) months of their occurrence.

The preferred practice is to have costs immediately budgeted and posted to their proper account in all cases. However, it is acknowledged, particularly in WCM's research setting, that multiple sources of funding support program objectives and that it is sometimes necessary to assign costs to a function, and then properly post the costs to other functions after the fact. Again, it is reasonable to take this action within 90 days.

#### **Q. Is this standard applicable to all sources of WCM funds?**

Yes, the 90-day standard is being applied to all sources of WCM funds and is not solely applicable to federal funds. It is being applied to general appropriated funds, gifts, endowments, WCM funds, and any other special project funds. The reason is that it is important for WCM as a whole to record its costs (and revenues) in a timely fashion. The accuracy, and audibility of its records are improved when postings are made in a timely manner.

#### **Q. Is this standard applicable to all WCM Programs?**

Yes, this standard is applicable to all WCM projects or any divisionally based service or shared resource activity.

#### **Q. Is this standard applicable to salary adjustments and redistributions?**

Yes, this standard is applicable to salary expenditures and associated adjustments. It is especially important that to the maximum possible extent, salary expenditures are budgeted and recorded on the proper account at the time of their occurrence.

Retroactive salary adjustments cannot be made that change the tax treatment of previous payments unless the change is required to correct a documented error that was truly a mistake; not simply a change in the description of facts and circumstances applied retroactively.

**Q. Does this guideline apply to subawards?**

Yes, the guideline applies to all subaward agreements. The guideline is applied when the WCM is an issuer of a subaward and when it is the recipient of a subaward.

**Appendix B – Definitions**

Term	Definition
<b>Allowable Costs</b>	Costs that are (a) reasonable; (b) allocable to sponsored projects under the principles and methods outlined in Uniform Guidance; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in Uniform Guidance or in the sponsored agreement as to types or amounts of cost items. (Uniform Guidance).
<b>Cost Transfer</b>	An after-the-fact reallocation of the cost associated with a transaction from one account to another account(s).
<b>Direct Costs</b>	Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (Uniform Guidance).
<b>Facilities and Administrative (F&amp;A) Costs</b>	Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (Uniform Guidance).
<b>Federal Unallowable Costs</b>	Costs identified as unreimbursable by the federal government in Uniform Guidance or by the specific sponsored project terms and conditions. This term supersedes the term "nonrecoverable cost."
<b>Fiduciary Responsibility</b>	Responsibility to manage funds in a manner consistent with the furtherance of WCM's mission and the conditions specified by external sponsors, when applicable.
<b>Indirect Costs</b>	See <i>Facilities and Administrative (F&amp;A) Costs</i> .
<b>Sponsored Project</b>	An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may be in the forms of grants, contracts, or cooperative agreements for research, instruction, and public service activities.