

Weill Cornell Medicine Policy:
Cost Transfers on Sponsored Projects

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Responsible College Officer
Financial Analysis Senior Director

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Policy Statement

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

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

Reason for Policy

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

Who Should Know This Policy

- Senior administration – vice deans
- Directors, department chairs, division heads
- Faculty
- Departmental/divisional administrators
- Finance personnel – research and accounting service members
- Grant and contract personnel
- Research compliance personnel

Contacts

Subject	Contact	Phone	Email
Policy questions	Edward C. Walsh	(646) 962-3632	ecwalsh@med.cornell.edu
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Applicable WCM Policies

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

Applicable Federal Regulations & Criteria

WCM receives funding from the federal government with specified terms and conditions, including a requirement to comply with applicable principles regarding charging costs to federal projects. The primary sources of these cost principles are the Uniform Guidance and NIH Grants Policy Statement.

The Uniform Guidance and NIH Grants Policy Statement require that we maintain documentation of cost transfers and make it available for audit or other review. Grantees should have systems in place to detect errors within a reasonable timeframe; untimely discovery of errors may be an indication of poor internal controls. Frequent recording cost errors 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. The NIH may also require grantees to take corrective action by imposing additional terms and conditions on awards.

Overview of Cost Transfers

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 expected that all Principal Investigators (PIs) and their supporting administrative staff members understand the importance of reviewing their research accounts on a regular basis to ensure

that costs are being allocated to a correct funding source. It should be noted that when attempts are made to allocate costs to an appropriate funding source initially, the need for cost transfers should be minimal.

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

Permissibility of Cost Transfers

Timeliness

Cost transfers must be processed **no later than 90 days** after original transaction dates. Transfers made after this time period raise questions concerning propriety of transfers 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 sponsor guidelines). Typically, the purpose of cost transfers is to correct errors in processing original charges, move costs between accounts for closely related work supported by more than one funding source or transfer pre-award costs in accordance with 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:

- To correct clerical errors.
- To reallocate effort to reflect actual charges.
- For the removal of unallowable expenses.
- For the allocation of costs benefiting more than one project.
- For internal transfers between non-sponsored accounts.
- For out-of-period charges.

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

- Used as a cost management strategy.
- Between sponsored projects to avoid or eliminate cost overruns.
- For any reasons of convenience.
- For the sole purpose of utilizing unexpended funds of a sponsored award.
- That circumvent pre- and/or post-award restrictions.

Explanation and Documentation Requirements

Each cost transfer must be clearly explained with supporting documentation. Transfers must be supported by documentation that fully explains how errors occurred and include certification of the correctness of new charges by responsible organizational officials of the grantee. PIs initiating transactions have primary responsibility for fulfilling these requirements and maintaining related records.

Written explanation and supporting documentation should clearly address:

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

Explanations merely stating that a transfer was made “to correct an error” or “to transfer to a correct project” are not sufficient.

Documentation for WCM Cores/Recharge Centers

Research core service charges are recorded as an expense on federal grants and contracts; these transactions are subject to an annual A-133 and federal audits. Auditors 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, directors of core lab centers will determine how to absorb removed expenses and comply with the WCM Research Core Facilities Policy to review and document user fees on an annual basis.

Roles & Responsibilities

Responsibilities	PI	Department Administrator	Department or Divisional Chair	Finance	Research Compliance
Prepare electronic or hard copy documentation/justification for cost transfers (on a Transfer of Funds or Expenses Form)	P	S		O	
Process cost transfer requests				P	
Review and approve cost transfer requests for compliance with WCM policy				P	
Provide institutional oversight for cost transfers				P	O

Key
P = Primary Responsibility S = Secondary Responsibility O = Institutional Oversight

Appendices

Appendix A – Frequently Asked Questions

Why is the time period 90 days?

This time period has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to proper projects and functions. It is based upon a practical standard to reasonably expect that costs can be properly assigned within three months of their occurrence.

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

Is this standard applicable to all WCM fund sources?

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

Is this standard applicable to all WCM Programs?

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

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 proper accounts at the time of their occurrence.

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

Does this guideline apply to sub-awards?

Yes, the guideline applies to all sub-award agreements. The guideline is applied when WCM is an issuer or recipient of a sub-award.

Appendix B – Definitions

Term	Definition
Allowable Costs	Costs that (a) are reasonable, (b) are allocable to sponsored projects under principles and method outlined in the Uniform Guidance, (c) are given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances and (d) conform to any limitations or exclusions set forth in the Uniform Guidance or sponsored agreement concerning types or amounts of cost items
Cost Transfer	An after-the-fact reallocation of cost associated with a transaction from one account to another account
Direct Costs	Costs that can be identified specifically with a particular sponsored project, primarily research, instruction or service, or directly assigned to such activities relatively easily with a high degree of accuracy
Facilities and Administrative (F&A) Costs	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
Federal Unallowable Costs	Costs identified in the Uniform Guidance or by specific sponsored project terms and conditions as nonreimbursable by the federal government - this term supersedes the term "unrecoverable cost"
Fiduciary Responsibility	Responsibility to manage funds in a manner consistent with the furtherance of WCM's mission and the conditions specified by external sponsors, when applicable
Sponsored Project	An externally funded activity that is separately budgeted, accounted for and governed by specific terms and conditions - sponsored projects must be separately budgeted and accounted for subject to terms of a sponsoring organization. Sponsored projects may be funded by grants, contracts or cooperative agreements for research, instruction or public service.