



Cost Transfers on Sponsored Agreements

POLICY STATEMENT

Cornell University expects costs to be charged to the appropriate sponsored project account when first incurred. There are circumstances in which it may be necessary to transfer expenditures to or from a sponsored account subsequent to the initial recording of the charge in the general ledger. Review of sponsored project account activity should include the determination that charges are reasonable, allowable, and directly support the scope of work for the project. To be allowable, the transfer request must be timely, fully documented, conform to university and sponsor allowability standards, and have appropriate authorization.

REASON FOR POLICY

Proper management of funds is essential to uphold the fiduciary responsibilities of the university. Frequent, late, and inadequately documented and unexplained transfers, especially those that 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. Knowledge of award and policy requirements and ongoing monitoring will improve the quality of financial reporting, improve compliance with regulatory requirements, and reduce the administrative burden and risks inherent in document corrections.

ENTITIES AFFECTED BY THIS POLICY

- Ithaca-based locations
- Cornell Tech campus
- Weill Cornell Medicine campuses

WHO SHOULD READ THIS POLICY

- Department, division, and unit administrators
- Directors, department chairs, division heads
- Finance personnel
- Grants and contracts personnel
- Principal and co-investigators
- Research compliance personnel

WEB ADDRESS FOR THIS POLICY

- This policy: www.dfa.cornell.edu/treasurer/policyoffice/policies/volumes/finance/costtransfers.cfm
- University Policy Office: www.policy.cornell.edu

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RELATED RESOURCES

University Policies and Documents Applicable to All Units

[University Policy 1.7, Financial Conflict of Interest Related to Research](#)

[University Policy 3.25, Procurement of Goods and Services](#)

[University Policy 4.14, Conflicts of Interest and Commitment \(Excluding Financial Conflict of Interest Related to Research\)](#)

[2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

[Sponsor or Award Specific Policies and/or Guidelines](#)

University Policies and Documents Applicable Only to Ithaca Campus Units

[University Policy 1.1, Cost Sharing for Sponsored Agreements](#)

[University Policy 3.11, Effort Planning and Confirmation](#)

[University Policy 3.14, Business Expenses](#)

[University Policy 3.18, Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect](#)

[University Policy 4.2, Transaction Authority and Payment Approval](#)

[University Policy 4.7, Retention of University Records](#)

[Office of Sponsored Programs' "Guide to Budgeting and Costing of Sponsored Projects"](#)

[Kuali Financial System \(KFS\) Standard Operating Procedures](#)

University Policies and Documents Applicable Only to Weill Cornell Campus Units

["Charging of Direct Costs to Sponsored Projects": Policy](#)

["Conflicts of Interest and Commitment" policy](#)

["Cost Sharing" policy and procedures](#)

["Proposal Development, Processing and Submission" procedures](#)

["Time and Effort Reporting" policy](#)

["Time and Effort Reporting" procedures](#)

University Forms and Systems Applicable Only to Ithaca Campus Units

[Kuali Financial System \(KFS\)](#)

[Workday](#)

University Forms and Systems Applicable Only to Weill Cornell Campus Units

[Personnel Action Form](#)

[Transfer of Funds or Expenses Form](#)

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CONTACTS

Direct any general questions about this policy to your department's administrative office. If you have questions on the following specific subjects, contact the offices below.

Ithaca Campus Units

Subject	Contact	Telephone	E-mail/Web Address
Accounting Transactions	Sponsored Financial Services	(607) 255-5085	sfs-help@cornell.edu
Documentation for Transfer Requests	Sponsored Financial Services	(607) 255-5085	sfs-help@cornell.edu
Sponsored Award Terms and Conditions	Office of Sponsored Programs	(607) 255-5014	osp-help@cornell.edu
Sponsored Award Financial Terms and Conditions	Sponsored Financial Services	(607) 255-5085	sfs-help@cornell.edu

Weill Cornell Campus Units

Subject	Contact	Telephone	E-mail/Web Address
Policy Questions	Associate Controller for Research	(212) 680-7125	kimcgra@med.cornell.edu
Document Instructions	Manager, Research Accounting	(212) 680-7131	rphilli@med.cornell.edu
Grants and Contracts Pre-Award Issues	Associate Dean, Sponsored Programs	(646) 962-8200	blp2001@med.cornell.edu
Grants and Contracts Administration	Associate Controller for Research	(212) 680-7125	kjmcgra@med.cornell.edu
Institutional Research Compliance issues	Director, Research Compliance	(646) 962-8200	joc2050@med.cornell.edu

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DEFINITIONS

These definitions apply to terms as they are used in this policy.

Account	A place to record financial activity in the general ledger. Each account has specific characteristics (attributes) that govern its use and presentation in financial reports.
Account Monitoring	A process whereby transactions are analyzed for reasonableness, allowability and allocability and account balances, rates, and other information are reviewed for sufficiency and accuracy by a knowledgeable individual.
Advance Account	See "Pre-Award Account."
Allowable Cost	A cost or expense that meets the tests set forth by the Uniform Guidance and that is consistent with university and award-specific terms and conditions. (For more information, see the appendix.)
Approver	An individual with payment authority.
Award	A written agreement between Cornell University and a sponsor where the sponsor commits funding to the university.
Award Termination Date	The end of an award period on a sponsored project.
Continuing Award	An amendment or increment to an existing project, for which there was no competitive or non-competitive renewal process. ◆Note: Sponsor terms vary regarding the permissibility of a transfer to a continuing award.
Cost Overrun or Overdraft	An expenditure recorded in a sponsored project account in excess of the approved project budget.
Cost Sharing	A portion of total project or program costs related to a sponsored agreement that is contributed to a sponsored project or program by someone other than the primary sponsor.
Cost Transfer	An after-the-fact reallocation of the cost associated with a transaction from one account to another account(s).
Direct Cost	A cost that directly benefits and is specifically identifiable to a sponsored project or program or that can be directly assigned to such a project with a high degree of accuracy.
Documentation	An original invoice, a copy of cancelled check, an original credit card receipt when applicable, and/or other documentation that describes and supports a business transaction (see the Requirements for Cost Transfer Requests on Sponsored Project Accounts segment of this policy).
Effort, Actual	The time that an employee actually devotes to a particular sponsored project (including time pledged to a sponsor as mandatory or voluntary committed cost sharing) or other activity, expressed as a percentage of total effort.
Effort, Committed	The amount of effort proposed in a grant or other project application and accepted by a sponsor, regardless of whether salary support is requested for the effort. For example, if a National Institutes of Health (NIH) grant application proposes that an employee will devote 30 percent of his or her effort to the grant, with salary support for 10 percent of that effort, the committed effort for that employee is 30 percent.

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DEFINITIONS, continued

Facilities and Administrative Cost (F&A) (previously known as Indirect Cost)	A cost that does not directly benefit, and is not specifically identifiable to a sponsored project or program, but is incurred in support of the project or program. Facilities and administrative (F&A) costs include such items as utilities and other physical plant costs and certain general expenses that are, to some degree, attributable to the project or program.
Federal Unallowable Costs	Costs identified as nonreimbursable by the federal government in Subpart E of the Uniform Guidance or by specific sponsored projects terms and conditions.
Fiduciary Responsibility	Responsibility to manage funds in a manner consistent with furtherance of the university's missions and the conditions specified by external sources, when applicable.
Initiator	An individual who insures that expenditures are necessary, allowable, properly approved, and adequately documented.
Institutional Base Salary	The annual compensation that the university pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties to the university.
Late Cost Transfer	A cost transfer that is requested to be made 90 or more days after the date of the original transaction.
Payment Authority	The authority, granted to certain representatives of the university, to review and approve financial transactions that commit the university to spend or receive funds, provide educational or other services, or otherwise utilize its resources.
Pre-Award Account (previously known as an Advance Account)	An account that is established in the general ledger prior to an award becoming fully executed (signed) by all parties.
Preparer	An individual who prepares documents associated with a transaction, including, but not limited to, documents requesting payment for a transaction.
Principal Investigator (PI)	The individual, designated by the university, who is responsible for the scientific or technical aspects of the grant and for day-to-day management of the project or program. The principal investigator (PI) is a member of the university team responsible for ensuring compliance with the financial and administrative aspects of the award. This individual works closely with designated officials within the grantee organization to create and maintain necessary documentation, including both technical and administrative reports; prepare justifications; appropriately acknowledge federal support of research findings in publications, announcements, news programs, and other media; and ensure compliance with other federal and organizational requirements.
Reviewer	An individual who verifies information and ensures that a transaction complies with university policies and specific sponsor guidelines.
Sponsored Project	A project funded by a grant, contract, or cooperative agreement under which the university agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budgeted monetary compensation.

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DEFINITIONS, continued

Stewardship	The careful and responsible management of the university's financial resources, which includes ensuring that they are used appropriately to assist the university in accomplishing its mission.
Transaction	Any event that involves an exchange of funds between two parties. Examples are paying a bill to a vendor, collecting a fee from a student, or processing an interdepartmental charge.

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RESPONSIBILITIES—ITHACA CAMPUS UNITS

All Faculty, Staff, and Students	Expend funds in a manner consistent with the missions of the university and the conditions specified by external sources.
Approver	<p>Ensure that all process and review steps have been followed per this policy. Ensure that any tax issues have been addressed. Make sure that there is no apparent conflict of interest on the part of the approving individual or other individual involved in the transaction.</p> <p>Ensure that the transfer is in accordance with University Policy 4.2, Transaction Authority and Payment Approval (External Vendors).</p> <p>◆Note: University transaction thresholds, as designated by the university policy, may be further restricted by operating unit guidelines.</p> <p>Ensure that the transfer request has operating unit authorization.</p> <p>◆Note: Approval can be written signature or a secured online entry.</p> <p>◆Note: Where a real or apparent conflict of interest does exist, additional approval is required (see Related Resources).</p>
Business Service Center (BSC)	Consistent with existing service agreements, provide accounting, purchasing, and/or transaction support to units and principal investigators (PIs).
Initiator	Identify expense item(s) requiring transfer. Prior to initiating a transfer, the initiator must assess the transaction to ensure that the expense item meets the university mission and complies with all the stipulations in the Tests for Appropriate Transfer segment of this policy.
Preparer	Process the cost transfer in accordance with university policies and procedures. Record expenditures consistently and in accordance with standard operating procedures). Ensure that federal unallowable costs are coded to the proper university account with the correct transaction attribute.
Principal Investigator (PI)	Working with unit personnel, and in the context of the system of controls, ensure that charges on sponsored agreements meet the standards of allocability. Approve the initiation of a cost transfer.
Reviewer	<p>The reviewer has all of the responsibilities as those of the initiator and the preparer.</p> <p>◆Note: In some units, the person designated as the reviewer may be different from the person designated as the approver.</p>
Sponsored Financial Services	Provide institutional oversight and quality assurance for project expenditures and cost transfers. Conduct periodic review of sponsored account transactions for federal unallowable costs based on object code and/or sensitive transaction type (e.g., equipment, consulting, etc.). Conduct periodic review of transactions occurring prior to the start date or after the termination date of the sponsored award. Facilitate any necessary corrections with the unit/department administrator/business service center.
Unit Administrator	Provide support to the PI for the monitoring of project finances associated with their unit, and in the initiation of cost transfers. Ensure that PIs receive monthly project financial statements, or instruction to obtain them via university systems.

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RESPONSIBILITIES – WEILL CORNELL CAMPUS UNITS

Responsibilities	Principal Investigator	Department Administrator	Dept./Division Chair	Finance	Research Compliance
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

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

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PRINCIPLES

Overview

The university must ensure that all charges meet the standards of allocability. This responsibility is shared by principal investigators (PIs), project personnel, and unit and central staff whose systems of controls require regular review of sponsored accounts. This occurs at the time an expenditure is requested, when a charge is posted, and verified through routine and closeout monitoring. It is critical that all university-sponsored accounts be reviewed at least every other month (but preferably monthly) to verify that all expenditures charged, both personnel and non-personnel, are correct and appropriate. Such verification must be documented in a fashion that can be used later to prove that the account monitoring was performed in accordance with this policy. It is the expectation that all PIs and their supporting administrative staff understand the importance of ensuring that costs are allocated to the correct funding source in the initial transaction, 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 accounts will only be allowed if the transfer is in accordance with university policies and is also fully compliant with all contractual terms and conditions, agreements, and external regulations and guidelines.

Appropriateness of a Cost Transfer on a Sponsored Award

Uniform Guidance Section 200.413 specifies, "Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy."

Cost transfers are permissible only when they are reasonable, allocable, allowable, and consistently applied direct costs of the sponsored project (as defined by institutional policy and the sponsor's policy). (For the definition of an allocable cost, see the appendix.) Typically, the purpose of cost transfers is to correct errors in processing the original charges, move costs between accounts for closely related work that is supported by more than one funding source, or to transfer pre-award costs in accordance with the provisions of the Uniform Guidance.

◆ **Caution:** At no time should sponsored or federally funded accounts be used as holding accounts for expenses that will subsequently be transferred elsewhere, including competing continuations of the same project for which the notice of award or the new account number has not yet been received.

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PRINCIPLES, continued

Items That Are Appropriate for Transfer

- An error correction – includes typographical errors or transposition of digits in account number or amount
 - A purchase charged to an account other than the one benefited from the use of the item (e.g., where an expenditure was charged to a departmental source pending identification of the sponsored project to which it should be charged)
 - A reallocation of salary costs to reflect actual expended effort
 - The routine allocation of shared services and service center charges
 - The removal of unallowable expenses
 - While the use of pre-award accounts is preferred, in the absence thereof, the transfer of pre-award expenses from non-sponsored accounts
 - A transfer to clear potential or actual cost overdrafts
- ◆ **Caution:** All errors must be corrected promptly after detection

Requirements for Cost Transfer Requests on Sponsored Project Accounts

Cost transfers must 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 transaction.**

Transfers made after this period of time are considered “late cost transfers,” raise additional questions concerning the propriety of the transfer, and could potentially heighten the level of scrutiny applied to all cost transfers university-wide. Requests for transfers made after 90 days must include a valid reason for the delay and will be permitted only under extenuating circumstances.

◆ **Note:** The university (any level) is obligated to remove and correct any incorrect charges made to sponsored accounts immediately, regardless of time frame.

◆ **Caution:** Salaries that have been certified through the plan confirmation process should only be transferred from a sponsored account for clearing an overdraft, or removing an inappropriate charge, and must be transferred to an appropriate non-sponsored cost-sharing account. These types of transfers are considered an acceptable break in certification.

When transfers are delayed, a correction to the original source of an entry (e.g., an update to a personnel action) may not have been made timely. Therefore, care should also be taken to carefully review the reason for the late transfer and take corrective action to prevent future recurrence.

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Cost Transfers on Sponsored Agreements

PRINCIPLES, continued

Tests for Appropriate Transfer

For a cost transfer to be considered appropriate, the underlying expenditure must be all of the following:

- Submitted within the 90-day window described in the Requirements for Cost Transfer Requests on Sponsored Project Accounts segment of this policy
- Approved by the individual with the authority to allow the transfer
- A mission-related and allowable Cornell business expense
- Ordinary and reasonable
- Within planned budgetary constraints
- In compliance with the sponsor's policies, regulations, and/or guidelines
- In compliance with appropriate university policies and procedures (see the Related Resources section of this policy)
- Appropriately documented (for additional information, see the Documentation Required for Cost Transfers and Monitoring of Accounts segment of this policy)

Cost Overruns

During review and prior to the award expiration date, it may be determined that an overdraft might occur. If an overdraft is anticipated, you may take the following actions:

- Within the allowable cost transfer period, the costs may be legitimately moved to another research-related gift account or sponsored project in the same function **that also benefited from the expenditure**. Documentation of the benefit must be fully explained.
- If an overrun occurs, then the cost must be moved to a non-sponsored account in the same function and treated in a similar manner to cost sharing (see University Policy 1.1, Cost Sharing for Sponsored Agreements).
- Under normal circumstances, project overdrafts at termination are the responsibility of the unit associated with the account.

Continuing Awards

An expenditure overrun does not occur in cases where there is a continuing award budget period, where the sponsor permits the award to be treated as a single period. In such cases, the termination date on the account is changed to coincide with the new budget year. An example is a five-year award where each year's budget is added to the previous year for a cumulative total. An overdraft in year two can be covered by the year three budget and no transfer would be needed. At the end of the five-year award, the expenditures must not exceed the total five-year budget.

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PRINCIPLES, continued

Costs That Benefit More Than One Project

In limited situations, charging costs to a non-sponsored funding source initially and later reallocating these charges to sponsored projects may need to occur. However, this should only be done in unusual or special circumstances. The requirement of initially charging costs to the appropriate funding source should always be followed unless the costs benefit two or more projects or activities that are closely related, and the proportion of benefit received by each project cannot be specifically determined in advance. When this situation exists, costs may be transferred to the benefiting projects when the transfer meets all of the following conditions:

- The initial charge could appropriately have been allocated to either activity/account.
- The method of allocating the costs between the projects is reasonable and documented.
- The transfer is supported by documentation that contains a full explanation and justification for the transfer.
- The transfer is reviewed and approved by a responsible financial or administrative official of the organization in accordance with payment authority.

◆ **Note:** Transfers between related projects must still comply with the 90-day transfer period.

Transfers of Disallowed Costs

If a disallowance is identified, such as an out-of-budget-period expenditure, and approval making the cost allowable (e.g., sponsor approved budget change or project extension) has not been received, then the cost must be moved to an appropriate, non-sponsored account with the same functional classification (i.e., in the same cost base) to prevent recovery through the facilities and administrative (F&A) cost rate.

Inappropriate Reasons for Cost Transfers to a Sponsored Project Account

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

- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers used as a cost management strategy
- Cost transfers between unrelated sponsored projects to avoid or eliminate cost overruns
- Cost transfers that circumvent pre- and/or post-award restrictions
- Cost transfers for any other reasons of convenience

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PRINCIPLES, continued

◆**Note:** A transfer from a sponsored account to an unrestricted institutional account is always permitted.

◆ **Caution:** Departments/units incur these pre-award expenditures and obligations at their “own risk,” and should the agreement fail to become fully executed, then the pre-award account must be cleared by transferring the expenditures to a non-sponsored account.

Pre-Award Expenditures

Most federal *grants* (as opposed to *contracts*) allow costs to be incurred 90 days prior to the award effective date. For the efficient and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the award start date. In such cases, departments/units are strongly encouraged to request a pre-award account through the appropriate channels and procedure. The pre-award account number becomes the permanent number when the award is fully executed by all parties; no cost transfers are needed.

Account Monitoring Requirement

University sponsored accounts must be reviewed at least every other month (but preferably monthly). The depth of such monitoring may recognize the system of controls applicable to a particular transaction type, must be documented, and is to include reviewing transactions for allowability and allocability. Units may document the performance of account monitoring via a check sheet of sponsored project accounts, diary record, indication on paper account statements, or any reasonable, auditable mechanism. When a sponsored project crosses unit lines, it is expected that each unit be responsible for ensuring that their accounts are monitored.

Documentation Required for Cost Transfers

Each cost transfer must be clearly explained with supporting documentation. The transfer request must be supported by documentation with a full explanation of how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee (typically an individual with payment authority who has received assurance from the PI). The unit initiating the transaction has primary responsibility for fulfilling these requirements. For non-labor transfers it is strongly encouraged that all associated documentation be included with the transfer transaction, so that it may be reviewed and retained centrally. In the event that such documentation is not supplied, the initiating unit is responsible for maintaining related records in accordance with university and award requirements. Documentation must accompany all requests for transfers of labor charges.

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PRINCIPLES, continued

Information Required in the Documented Explanation

The following information is required in cost transfer documentation:

- A description of the cost(s) 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—the cost item must be allowable under the terms and conditions of the sponsored agreement and other regulations governing the sponsored agreement (see the appendix)
- That any systematic or administrative deficiency (if any) that caused the need for the transfer has been addressed

◆ **Note:** If the transfer is subject to the 90-day limitation, but made after that time limit, the explanation must include a justification for lateness (see the Requirements for Cost Transfer Request on Sponsored Project Accounts segment of this policy).

Procedures for Making Cost Transfers

All requests for cost transfers must conform to the procedures described in the Procedures—Ithaca Campus Units and Procedures—Weill Cornell Campus Units sections of this policy.

Compliance with Sponsors' Policies

Cost transfers on federal sponsored awards must comply with sponsors' policies and meet all of the tests outlined in the Uniform Guidance (see the appendix). Federal standards are the default for non-federal sponsors that do not have specific cost principles.

◆ **Note:** Normally, for a cost transfer to be appropriate, the sponsored project accounts involved in the transfer must be in the same function, including any cost-sharing accounts.

Closeout of Sponsored Project Accounts

Administrators of sponsored project accounts must be particularly careful to manage and monitor their accounts to avoid costs that are not reimbursable. Generally, no costs incurred after the award end date are allowable. Ongoing correction of incorrectly charged expenses is necessary throughout the project period to avoid most adjustments at the end of the project.

Cost overruns after the award end date of a project may not be transferred to another sponsored project account. Transfers of such costs must be to an appropriate, non-sponsored account with the same functional classification (i.e., in the same cost base) to prevent recovery through the F&A cost rate. Unspent balances at the close of a

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PRINCIPLES, continued

project must, in most cases, be returned to the sponsor. While the PI and administering unit have the responsibility for monitoring account balances, as a courtesy, the unit or department administrator will be notified, with reasonable time for adjusting transactions, if unspent funds reside in the account prior to submission of the final fiscal report. If no appropriate action is taken to use these funds for allowable/allocable project expenses, then they will be automatically returned to the sponsor upon submission of the final fiscal report. Notable exceptions are fixed price contracts (from which all transfers of unexpended balances shall be subject to review to ensure that all relevant costs have been recorded) and sponsored agreements allowing carry-forward of funds. For clarification of the terms of a specific sponsored project, contact the sponsored programs office.

Actions Needed at Unit/Department Level to Close an Award

Normally, cost transfers must have been completed and recorded in the general ledger no later than 30 days prior to the deadline for submission of the final fiscal report.

◆ **Note:** This reduces the time within which cost transfers may be made.

Where no fiscal report is required, the transfers must be completed and recorded no later than 60 days after the award termination date.

Critical actions needed 30 days prior to the submission of the final fiscal report include the following:

- Ensure that all expendable materials transferred to the sponsored project are allowable direct charges and are properly approved. Transfers of the costs of expendable materials into the project in the last month of an award may not be acceptable and require further documentation. The materials should have been invoiced and used prior to the end date of the award. In some cases, materials received in the last month are considered pre-award costs when the project is ongoing and funding for the next period is assured. Consult the appropriate sponsored programs office representative for clarification.
- Ensure that commitments and approvals are in place for materials and services that have been incurred prior to the award expiration date but are unlikely to be paid by that date. Transfer of such costs to the closed award is allowable if documented and acceptable under the terms of the agreement.
- Ensure that adjustments of F&A costs or employee benefits identified by the appropriate campus accounting office as part of the final fiscal reporting process are allowable.

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PROCEDURES — ITHACA CAMPUS UNITS

**General Statement
Applicable to All
Transfers on
Sponsored Project
Accounts**

Because the sponsored project principal investigator (PI), working with unit personnel and in the context of the system of controls, is responsible for all expenditures charged to the sponsored project account, all cost transfers must be brought to the attention of the sponsored project PI. Unit accounting offices are reminded that cost transfer procedures require that the project PI approve transfer of costs (personnel or non-personnel) to their sponsored project account. It is recommended that internal unit procedures include a record of approval by the PI, such as retaining an e-mail notification or other backup.

**Retroactive Account
Distribution and
Adjustment**

The distribution of salary charges for university personnel should represent a reasonable reflection the employee's effort. These distributions must be reviewed on a regular basis and, if changes are anticipated, a costing allocation change in Workday must be prepared and submitted, ideally in conjunction with the change in activities. In some cases however, these changes cannot be anticipated resulting in the need to prepare and submit a Salary Expense Transfer (ST) e-doc in Quali Financial System (KFS). When this occurs, the ST e-doc must be processed within 90 days after the date of the original transaction.

**Fiscal Year-End
Review**

Additional considerations must be given to reviewing personnel charges prior to fiscal year end. Requesting retroactive payroll adjustments that cross fiscal years is problematic for a number reasons (e.g., accounts may be closed or deleted, employee benefit rates may have changed, financial reporting can be distorted, certification of effort compromised). Every effort should be made to process payroll adjustments prior to the close of the fiscal year in which the original expense was incurred.

**Plan Confirmation
(Effort) Certification**

Known adjustments or cost transfers of salaries and wages must be processed before effort has been certified through the effort certification process; payroll distribution and effort as certified must coincide. Cost transfers made subsequent to the effort certification process are problematic because they result in a break of certification. Careful consideration must be given to personnel adjustments to ensure that accounts (projects) that benefit are charged properly and that further adjustments are not required.

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — ITHACA CAMPUS UNITS, continued

- Financial Monitoring** On a regular basis, (preferably monthly or every other month as a minimum):
- Review the labor distribution reports and verify individuals and the percentage of their distribution charged to each sponsored project account to ensure that it is consistent with the work performed under the associated sponsored project.
 - Investigate and follow-up on any cases where a salary/wage entry is missing but should have appeared on the report based on a previously submitted appointment.
 - Look at salary/wage entries for names of employees or students that should not be on the sponsored project account. If any are found, investigate the reason that they appear. Prepare and submit corrections (via Workday Costing Allocation or KFS ST e-doc as appropriate).
 - Verify employee benefit and facilities and administrative (F&A) cost rates and amounts.
- ◆ **Caution:** Certified effort should only be transferred from a sponsored project account for clearing an overdraft or removing an inappropriate charge, and must be transferred to an appropriate non-sponsored cost sharing account. These types of transfers are permissible breaks in certification.

- Transfer of Non-Labor Expenditures** It is the responsibility of the sponsored project PI, working with unit personnel and in the context of the system of controls, to ensure that all charges to their sponsored project account are appropriate as stated in this policy (see the Appropriateness of a Cost Transfer on a Sponsored Award segment of this policy). This is generally accomplished at unit level in coordination with the unit's accounting office. The monthly general ledger transactions must be reviewed in a timely manner to ensure that charges were made to the correct sponsored account, as well as being related directly to the specific sponsored project. This may entail review of supporting source documentation. In the event that it is determined that a transaction must be transferred, apply the following procedures:
- The transaction to be transferred is identified.
 - A correcting e-doc (General Ledger Transfer [GLT] (preferred) or Distribution of Income or Expense [DI]) is created in KFS to transfer the expense to the appropriate account (see KFS Standard Operating Procedures). The e-doc backup documentation is prepared at unit level and attached to the e-doc (see the Documentation Required for Cost Transfers and Monitoring of Accounts segment of this policy).
 - The e-doc is submitted and routed for approval as appropriate.

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — ITHACA CAMPUS UNITS, continued

- Sponsored Financial Services (SFS) may review the transaction and the backup documentation and provide Division of Financial Affairs (DFA) approval or disapproval.
- If approved, the transaction is recorded in the general ledger.
- If not approved, SFS will contact the e-doc initiator and discuss corrective action that might be necessary.

◆ **Note:** If a true overdraft exists on a sponsored project account, and it is necessary to transfer several expenditures to a non-sponsored account, contact SFS to discuss the possibility of performing a lump-sum journal rather than identifying individual transactions. For example, if the direct cost portion of the overdraft is \$2,500, a single journal may be processed to credit the sponsored project account and charge the account absorbing the overdraft (not a sponsored project account) for the entire \$2,500 rather than identifying individual transactions adding up to \$2,500. Given that the federal government considers a true overdraft as a variant of cost sharing, it is critical that the function of the account absorbing the overdraft is consistent with the function of the sponsored project account being relieved of the overdraft.

Transfer of Labor Expenditures

The distribution of salary charges for university personnel should represent a reasonable reflection the employee's effort. These distributions must be reviewed on a regular basis and, if changes are anticipated, a costing allocation change is made in Workday, ideally in conjunction with the change in activities. In some cases, however, these changes cannot be anticipated, resulting in the need to submit an ST in KFS. When this occurs, the ST must be processed within 90 days after the date of the original transaction.

Follow these procedures for an ST:

- The payroll transaction(s) to be transferred is identified. An ST is created at the unit or business service center (BSC) level to transfer the expense to the appropriate account. The unit obtains and attaches documentation that the transfer was requested or approved by the PI.
 - The ST is submitted and routed as appropriate.
 - If not approved, the disapproving office in the route path will contact the initiator and discuss corrective action that might be necessary.
- ◆ **Note:** The account type (EN or CC) must always match an individual's appointment (endowed or contract). Units cannot transfer salaries from endowed to contract college accounts. Please contact SFS when a situation arises where this appears to be necessary.

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — ITHACA CAMPUS UNITS, continued

Cost Transfers Subject to the 90-Day Limitation

Transfers to correct data entry errors

Examples of a valid explanation for the e-doc would be, "To correct data entry error: Account U527104 should have been U528104" or, "To correct transposition error: A859030 should have been A589030."

Transfer of expenditures from a departmental account to an existing award

An example of a valid explanation in the journal would be, "To transfer project costs from the departmental account to the existing award's account because the sponsor issued a modification to the existing award rather than a new award and the account number remained the same."

- Recurring and routine cost transfers to allocate direct expenses, such as telephone toll charges and service center recharges. The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.
- Transfers of costs from the prior year sponsored project account to the competing or noncompeting continuation account if permitted by the terms of the award. The explanation in the journal should contain an identifying sponsored award ID number (e.g., sponsor award number, OSP number) for both the prior year and the competing or noncompeting continuation award.

Cost Transfers Made After the 90-Day Limitation (Late Cost Transfers)

Cost transfers requested after the 90-day limitation will be permitted only under extenuating circumstances, which include, but are not limited to, the following:

- The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of a sponsored project account number.
- The account creation was delayed because of award negotiation issues.
- Retroactive official approval from the sponsor for specific expenditures was received after the expense transaction(s) was processed.
- The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expense transaction(s) was processed.

◆ **Note:** Consultation with appropriate SFS personnel prior to e-doc preparation is highly recommended.

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — ITHACA CAMPUS UNITS, continued

Examples of Incomplete and Invalid Explanations for Cost Transfers

Incomplete Explanation

- “To correct coding”
- “To correct an error”

Complete Explanation

- “To correct data entry error: Account U527104 should have been U528104,” or “To correct transposition error: Account A859030 should have been A589030”

Incomplete Explanation

- “To transfer salary charges to the account for which the work was actually performed”

Complete Explanation

- “To transfer salary charges for John Smith from Project A to Project B due to reassignment of duties”

Incomplete Explanation

- “To charge correct account”

Complete Explanation

- “To transfer project costs from the departmental account to the existing award’s account because the sponsor issued a modification to the existing award,” or “To transfer pre-award project costs to the competing continuation account”

Unacceptable Explanations for Late Cost Transfers

Because our sponsors expect a certain level of stewardship of awards, and it is the university’s responsibility to provide that support, the following explanations are unacceptable:

- “Late because the PI is out of town”
- “Administrator on vacation”
- “Department duties did not allow time for correction”
- “Work volume delayed charging the correct account”

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS

General Comments, Weill Cornell Campus Procedures

The segments below describe the procedures associated with the transfer of salary and/or non-salary costs between funding sources and the responsibilities of those involved with the transfer, for Weill Cornell (WC) campus units. Adherence to these procedures will ensure that cost transfers meet external regulations, guidelines, and terms, as well as institutional policies and guidelines.

Procedure Requirements

It is critical that all sponsored project expenditures be reviewed on a regular, monthly basis to ensure that all charges, salary and non-salary, are correct and appropriate. With respect to sponsored projects, it is the responsibility of the principal investigator (PI), and the PI's designee, to authorize transactions and review the expenditure activity. This review must include the determination that the charges are reasonable, allowable, allocable, and directly support the scope of work for that project.

The PI or designee must determine if the reason for the cost transfer is “appropriate” as defined by federal regulations and guidelines when the cost transfer involves a federal- or state-sponsored project. When the cost transfer does not involve costs associated with a federally or state-funded project, the governing documents for the sponsored project (i.e., the contract or agreement) must be referenced to determine the appropriateness of the cost transfer.

The costs being transferred to and from sponsored projects must meet all of the requirements as defined in the institutional policy and by the “National Institutes of Health (NIH) Grants Policy Statement (GPS) Section: Cost Considerations, Subsection: The Cost Principles.”

Reasonable (including necessity) – A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflect the action that a prudent person would have taken under the circumstances prevailing when the decision to incur the cost was made.

Allocable – A cost is allocable to a specific grant, function, department, or other component, known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship.

Allowable (Conformance) – Conforms to the limitations and exclusions as contained in the terms and conditions of the award, including those in the cost principles, which vary by the type of activity, the type of recipient, and other characteristics of individual awards.

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Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS, continued

Consistently Applied – Grantees must be consistent in assigning costs to cost objectives. Costs must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, so as to avoid duplicate charges.

Salary Cost Transfers The distribution of salary charges for WC personnel must represent a reasonable reflection of the employee’s effort. These distributions must be reviewed on a regular basis and, if changes are anticipated, PIs or department administrators must prepare and submit a “Personnel Action” form or submit an electronic transfer request to the Finance and Accounting office, ideally in conjunction with the change in activities. In order to comply with federal requirements, this form must be processed within 90 days after the expense was originally recorded in the financial system.

Every effort must be made to process payroll adjustments prior to the close of the fiscal year in which the original expense was incurred. Every attempt must be made to process adjustments of allocations of salaries and wages before effort has been certified by the department or during the effort certification process. By reviewing salary distributions on a project regularly, the salary distributions will, in most circumstances, be accurate on the “Time and Activity Report” and should coincide with the certified effort distributions. In some case, cost transfers will need to be made subsequent to effort certification to ensure salary allocation and effort match; however, retroactive effort adjustments after certification are problematic, because they raise concerns regarding timeliness and the reliability of the certification process. Requesting retroactive payroll adjustments that cross fiscal years is problematic for a number reasons (e.g., accounts may be closed or deleted, employee benefit rates may have changed, financial reporting can be distorted, or certification of effort compromised).

Non-Salary Cost Transfers

Non-salary cost transfers must be initiated by the PI and must be processed by submitting the “Transfer of Funds or Expenses” form to the Finance and Accounting Office. This form is available electronically or in hard copy format. The following pertinent information is required for each form:

- Account number the funds will be transferred from
- Receiving account number
- Amount to be transferred
- Reason and explanation for the transfer

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS, continued

- Proper authorization by the requestor (department administrator) and approver (PI)

◆ **Note:** When an adjustment is requested more than 90 days after the original charge, the requestor must also explain the reason for the lateness of the cost transfer in a separate section of the form (specifically for those over 90 days).

Each cost transfer request also requires supporting documentation when the “Transfer of Funds or Expenses” form is submitted. Supporting documentation must include a printout of the transaction screen from the Financial Reporting System that shows the original charge and confirms that the proper accounts have been identified for the transfer. Additional supporting documentation must show how the charge benefits the receiving account and how it is allocable to that account, according to the principles of A-21 and university policy.

Internal Review of Cost Transfers

Research Accounting will review the cost transfer for compliance with University Policy 3.20, Cost Transfers on Sponsored Agreements and all applicable federal regulations.

Cost transfers made for any of the following reasons will not be considered appropriate or compliant with federal regulations or university policy:

- Cost transfers used as a cost management strategy
- Cost transfers between sponsored projects to avoid or eliminate cost overruns
- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers that circumvent pre- and/or post-awards restrictions
- Cost transfers for any other reasons of convenience

The following segments of this policy give examples of circumstances that are typically considered appropriate for cost transfers, yet still will be subject to thorough review by Research Accounting before approval.

Cost Transfers to Correct Clerical Errors

When a clerical or technical error results in costs being allocated to an incorrect funding source, the responsible department administrator may initiate a cost transfer using the cost transfer process to correct the error. The PI will be notified as appropriate. As stated in university policy and federal guidelines, the explanation for these circumstances cannot merely state that the transfer was made “to correct an error” or “to transfer to the correct project.” Additional explanation will be required,

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS, continued

such as how or why the error occurred, and how it will be resolved so the same error does not occur again.

Cost Transfers to Reallocate Effort to Reflect Actual Charges

It is acceptable to request salary cost transfer if the change in effort results in a change to salary during the effort period and if the requested change complies with federal and university requirements.

Cost Transfers for the Removal of Unallowable Expenses

It occasionally may be necessary for the responsible administrator to initiate a cost transfer to remove an expense item deemed unallowable based on government regulation and/or a grant award agreement. When this situation occurs, the department administrator may initiate the cost transfer to the PI's departmental account using the cost transfer process. The PI will be advised of the transfer promptly, and further information concerning the cost will be requested. The reason the cost was determined to be unallowable will also be discussed at this time. For a list of costs designated as unallowable costs, refer to appendix C of the WCMC policy "Charging of Direct Costs to Sponsored Projects."

Cost Transfers for the Allocation of Costs Benefiting More than One Project

In limited situations, charging costs to a non-sponsored funding source initially and later reallocating these charges to sponsored projects may need to occur. However, this should only be done in unusual or special circumstances. The requirement of initially charging costs to the appropriate funding source must always be followed unless the costs benefit two or more projects or activities that are closely related, and the proportion of benefit received by each project cannot be specifically determined in advance. When this situation exists, costs may be transferred to the benefiting projects when the transfer meets all of the following conditions:

- The initial charge could have been appropriately allocated to either activity/account.
- The method of allocating the costs between the projects is reasonable and documented.
- The transfer is supported by documentation that contains a full explanation and justification for the transfer.
- The transfer is reviewed and approved by a responsible financial or administrative official of the organization.

POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS, continued

Internal Cost Transfers

Cost transfers that do not involve any externally sponsored projects are considered internal cost transfers. Requests to transfer internal costs do not require the detailed level of justification required for transfers to sponsored projects. However, these types of transfers must comply with university policies and guidelines.

Cost Transfers of Out-of-Period Charges

The responsible department administrator may initiate cost transfers using the cost transfer process to move out-of-period costs that were charged to an account for a previous budget period, when the costs should have been charged to the account associated with a subsequent budget period (or vice versa), as long as the project period of the grant has not ended. The PI will be notified, as appropriate. This type of action is not classified as a cost transfer between sponsored projects, because the transfer is between years of the same sponsored project.

Cost Overruns

In order to meet reporting deadlines, the responsible departmental administrator may initiate a cost transfer to process cost overruns on a sponsored project. Cost transfers that are made to process cost overruns may not be made to another sponsored project, and must comply with institutional policies and guidelines. When this occurs, the PI will be advised of the transfer promptly, and the specific details of the cost transfer will be discussed at that time.

Internal Review of Cost Transfers Over 90 Days Old

Approval for cost transfers submitted later than 90 calendar days will only be granted in extenuating circumstances. Requestors are required to submit explanations for lateness (i.e., over 90 days) to Research Accounting for review when submitting the "Transfer of Funds or Expenses" worksheet and assembling backup documentation.

The following are examples of acceptable extenuating circumstances for cost transfers over 90 calendar days:

- Late issuance of a notice of grant award or full execution of a subcontract subsequent to the start of the budget year or other period of performance; supporting documentation required
- Failure of another department to take action, e.g., on a properly submitted payroll distribution change request; supporting documentation required

It is the responsibility of the grantee and the PI 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.

Cornell Policy Library
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Management
Responsible Executive:
Executive Vice President and
CFO
Responsible Offices:
Sponsored Financial
Services/WCMC Associate
Dean, Research Compliance
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POLICY 3.20

Cost Transfers on Sponsored Agreements

PROCEDURES — WEILL CORNELL CAMPUS UNITS, continued

At no time should federally funded accounts be used as holding accounts for expenses, which will subsequently be transferred elsewhere, including to competing or noncompeting continuations of the same project for which the notice of award or the new account number has not yet been received.

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Cost Transfers on Sponsored Agreements

APPENDIX – EXCERPTS FROM THE UNIFORM GUIDANCE

General Comments

All expenditure transfers between sponsored accounts must be made in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, E, which directs that for an expenditure to be allowable it must meet the following tests:

Reasonable and Necessary

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Allocable

A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received.

Any cost allocable to a particular federal award under the principles provided for in this Part may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the federal awards.

Consistent Treatment

Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost. Be determined in accordance with generally accepted accounting principles (GAAP), Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.

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