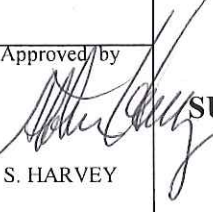


**FINANCIAL MEMORANDUM**

Memorandum No. 176	<b>Icahn School of Medicine at Mount Sinai</b>  <b>SUBJECT: GRANT AND CONTRACT COST TRANSFERS</b>	Page 1 of 9
Approved by  S. HARVEY		Date Issued/Amended 8/11/16
		Replaces 12/29/00, 10/09/06

**1. COST TRANSFER POLICIES**

This Cost Transfer policy describes the policies and procedures for transferring already incurred costs from one Sponsored Project expenditure account to another. The policy applies to all Icahn School of Medicine at Mount Sinai (ISMMS) employees responsible for Sponsored Project transactions. A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one Sponsored Project (SP) to another. Although costs should always be charged to the correct SP, cost transfers are sometimes necessary. To be allowable, cost transfers must be processed timely, be fully documented, and conform to ISMMS policies and procedures for allowability, allocability and reasonableness, be allowable under the terms of the sponsored agreement, and be properly authorized.

Cost transfers are necessary in the following circumstances:

- a. Error Correction** – Correction of errors is required on all SPs. Errors may include clerical errors, salary changes that do not reflect the proper effort allocation to the SP or a purchase was charged to a SP other than the one that ultimately benefited from the use of the items purchased. All errors should be corrected as soon as they are discovered.
  
- b. Pre-Award Costs** – It is sometimes necessary for costs to be incurred before the award document has been received. In such cases, departments should request the Office of Sponsored Project Accounting to set up a pre-award account for the SP. The authorization form for pre-award account is available on the Grants and Contracts Office website. The pre-award account number becomes the permanent SP account number when the award is received. As a result, no cost transfers are needed.

Sometimes a pre-award account may not be possible, or the need for one is unknown. When a department later determines that costs related to a sponsored project were charged to a departmental account, the costs should be transferred to the new SP account. If costs must be transferred to a SP account, perform the transfer as soon as possible, with the appropriate justification.

**c. Active Sponsored Projects** - Sponsors have varying guidelines on cost transfers; departments should consult Sponsored Projects Finance (SPF) when in doubt about the acceptability of a proposed cost transfer. ISMMS allows cost transfers involving SPs in the following circumstances:

- Error correction,
- Pre-award costs when an early SP is not used,
- Transfers between tasks of the same sponsored project,
- Costs benefiting more than one project.
- Allocating costs between closely related projects
- Disallowed costs.

**(1) Costs Transferred in Anticipation of an Overdraft** – if the monthly review of the SP account indicates that an overdraft is anticipated, the following actions may be taken:

- The initial charge could appropriately have been made to the other SP.
- The charge is contemplated in the approved budgets of both SPs.

**(2) Costs Benefiting More than One Project** – When a particular charge to a sponsored project benefits another sponsored project, that charge may be transferred to the other SP, provided that:

- The initial charge could appropriately have been made to the other SP.
- The charge is contemplated in the approved budgets of both SPs.

*Example: If an equipment charge is to be transferred, both project budgets must have a line item for that equipment.*



- The explanation for the transfer must support why the particular charge is appropriate to either of the SPs.

If a cost benefits two or more projects or activities in proportions that cannot be determined because of the work involved, the cost should be allocated to the benefited projects on any reasonable basis. The Public Health Service has determined that when salaries or activities are supported by two or more SP's and the specified conditions given below are met, costs may be charged to any of those grants.

- The projects are scientifically and technically related.
- The projects are under the direction of the same principal investigator.
- The projects have been funded by the same PHS awarding office.
- There is no change in scope of the individual grants involved.
- The relating of costs will not be detrimental to the conduct of the work approved under each individual award.
- The relatedness will not be used to circumvent the terms and conditions of an individual award.

When extramural funding includes non-federal sources of support, the investigator should allocate salary charges based on the work performed. Non-salary charges for supplies and equipment should be charged directly to the projects they benefit.

**d. Closeout of Sponsored Project Accounts** - Principal Investigators and Sponsored Project Administrators should be particularly careful to manage and monitor their SP accounts to not incur costs that are not reimbursable. Generally, no costs incurred after the end date are allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of a project. Guidelines include:

- (1) **Cost Overruns after the End Date of a Project** may not be cleared to another SP. Such cost overruns are treated as "cost sharing" and must be funded from unrestricted departmental resources. The ISMMS cost sharing policy and procedures are included on the Sponsored Projects Accounting website.
- (2) **Unspent Balances** at the close of a project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. For clarification of the terms of specific sponsored projects call the Sponsored Projects Accounting Office.

Well before the close of the award, the Principal Investigator and administrator assigned to the SP should ensure that:

- Expendable materials transferred to the 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.
  - Commitments and approvals are in place for equipment, negotiated agreements, travel, service and report costs that have been incurred prior to the award expiration date but will not be paid by that date. Transfers of such costs to the closed award are allowable if documented and acceptable under the terms of the agreement.
- (3) **Adjustments** of indirect/facilities & administrative costs or fringe benefits by the Sponsored Projects Accounting Office are allowable when identified as part of the Federal Financial Status Report preparation process.

**e. Disallowances and Unfunded Costs**

- (1) **Transfers of Disallowed Costs** - If a disallowance is identified during preparation of the financial status report, and approval which makes the cost allowable has not been received, the cost must be removed from the SP account and charged to an unrestricted departmental source.

Financial Policy Memorandum #173 set forth the unallowable costs that cannot be charged to Federal grants and contracts either directly or indirectly. If unallowable costs are identified during the monthly review by the principal investigator/designee or during the grant closeout process by Sponsored Projects Accounting, they must be removed from the grant using the appropriate subcode as specified in Policy #173.



**(2) Transfers of Unfunded Costs** - If the project has costs that were originally identified as allowable cost to the project, but were charged to a departmental account because project funds were not available, then those costs may be returned to the SP, up to the dollar limits of the freed-up funds.

**(3) Transfers of Equipment** - Equipment purchased for a project but disallowed by the sponsor may be transferred to a departmental SP if it will benefit other projects, or directly to another benefiting project, provided the other project's sponsor approves. If the equipment was used solely for the original project and the cost was disallowed it must be funded by an unrestricted departmental source.

**f. Documentation** - Cost transfer documentation processed online using the cost transfer form must clearly show:

- The expense directly benefits the receiving SP.
- The expense is allowable on the receiving SP.
- The reason the expense was charged incorrectly to the first SP.
- That any systematic reasons which might cause this problem to be repeated have been addressed.
- The reason for any delay in the timely processing of the transfers.

Appendix I of this policy provides guidance for writing adequate transfer justifications.

**g. Cost Transfer Deadlines** - Cost transfers should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days after the error was discovered.

Transfers submitted after these deadlines must document a valid reason for the delay using the standard online cost transfer form (See Appendix 2).

## **2. COST TRANSFER PROCEDURES**

**a. Getting Started** - Cost transfers are submitted online using Sponsored Project Accounting's online cost transfer form, Sinai Central's fund transfer function and the Human Resource Transaction System (HRTS) salary distribution system. Guidance on using ISMMS's online accounting system is available on the School Finance website.

**b. Salary and Non Salary Transfers**

- 1. Salary transfers** - The online cost transfer form must be completed for any salary source change processed after the original charge has been posted to the general ledger or after the end date of the SP. The salary source change is processed online using the HRTS salary **source change feature**.
- 2. Non Salary transfers** - The online cost transfer form must be completed for any non salary charge processed after the original charge has been posted to the general ledger or after the end date of the SP. The fund transfer feature on Sinai Central is used to accomplish the transfer along with the necessary supporting documentation to justify the transfer.

**c. Sponsored Projects Accounting Review** - All cost transfers will be reviewed and approved by Sponsored Projects Accounting to ensure that the online cost transfer form is completed properly and that supporting documentation is adequate to justify the transfer.

**d. Signatures** - The electronic signature of the person responsible for the SP to be charged required. A signature for the SP to be credited is not required; however, the department initiating the transfer should make sure all individuals responsible for affected SP are informed of the entry.

**Mount Sinai School of Medicine  
Cost Transfer Policy  
Sample Justification Documentation**

Every Cost Transfer request must:

- Be prepared using the standard online Cost Transfer Form (Appendix 2).
- Include a complete explanation of the reasons for the transfer.
- Include adequate documentation to support the transfer.

Examples of incomplete and invalid explanations for Cost Transfers:

**Incomplete Explanations**

\* To correct coding

\*To correct an error

\*To transfer salary charges to the account for which the work was actually performed

\*To charge correct account

**Complete Explanations**

\*To correct a data entry error  
-A transportation error occurred  
-The object code 48XX was miscode and should have been 48XL

\*To correct a misposting of a charge  
- The charge was to the wrong account and must be removed.

\*Dr.(name) salary is being adjusted to reflect actual effort on the project for the period XX/XX/XX to XX/XX/XX. The actual effort and related salary charge is within effort committed in the grant award budget.

\*To transfer project costs from the departmental account to the existing award's account because the sponsor issued a modification to the existing award.

\*To transfer pre-award project costs to the competing continuation grant.

\*A detailed review of the charges to the grant identified the following charges (list them) that were unallowable according to the sponsors guidelines which are being transferred to the departmental account.

**Incomplete Explanations**

\*To fund a deficit

\*To remove a surplus

**Complete Explanations**

\*To correct a misposting of a charge. The charge was to the wrong account and must be removed.

\*The project cost exceeded the budget. The overrun is being funded by the department and constitutes voluntary cost sharing on the grant.

\*The final year of the grant was underspent and the excess funds are being returned to the sponsor.

**Invalid Explanations**

- \* Late because Principal Investigator is out of town.
- \* Administrator on vacation.
- \* Department duties did not allow time for correction.
- \* Work volume delayed charging the correct account.



**Cost Transfer Request**  
**Icahn School of Medicine at Mount Sinai**

To: Sponsored Projects Accounting

From: Principal Investigator  
Designated Grant Financial Administrator

Date of Request: \_\_\_\_\_

Transfer Request:

From Account: 02-XX-XXXX-XXXX

To Account: 04-XX-XXXX-XXXX

Date of Original Charge: \_\_\_\_\_

PO# / CR# / TV# / REF # from General Ledger (non-salary): \_\_\_\_\_

HRTS Transaction # (salary): \_\_\_\_\_

Amount of original charge: \$ \_\_\_\_\_

Justification: (See Documentation Standards in the Cost Transfer Policy. Also see examples in Appendix 1 of Cost Transfer Policy).

Certification of Principal Investigator and designated Grant Financial Administrator: We have first hand knowledge as to the accuracy of this cost transfer and have authority to certify this request, the costs being moved to the project identified above are directly related to the project scope, allowable by the project budget, and have been incurred in a timely manner to benefit project activities.

Principal Investigator Signature: \_\_\_\_\_

Grant Financial Administrator Signature: \_\_\_\_\_

Sponsored Projects Accounting:

\*Approval: \_\_\_\_\_

Date: \_\_\_\_\_

\* When this form is attached to a HRTS transaction, approval of the transaction includes the approval of the cost transfer request by Sponsored Projects Accounting.