



Cost Transfers and Cost Allocations Administrative Policy

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Effective Date:	April 1, 2019
History:	Approval Date: June 30, 2015 Revisions: April 1, 2019
Type:	Administrative Policy
Finance Policy Number:	3.12.02
Responsible Official:	Associate Provost, Research and Scholarly Inquiry Assistant Vice President for Finance & Controller
Related Documents:	Cost Principles, Audit and Administrative Requirement Policy Deficit Resolution Policy

Policy Statement

The University conducts research and other activities that are sponsored by federal, state or private entities. Sponsored grants and contracts are an essential element in creating a collegiate university and providing outside funding to support the academic mission and research function of the University. As a recipient of federal, state and privately sponsored grants and contracts, the University is required to comply with all policies and regulations set forth by the federal and state government and private sponsors, including compliance with the Office of Management and Budget (OMB) Uniform Guidance (UG). The OMB UG identifies the costs principles, audit and administrative requirements for sponsored projects.

All University faculty, staff, and students who are responsible for administering sponsored grants should be familiar with these principles as well as other requirements of a granting agency or authority to mitigate risk associated with noncompliance.

Purpose

In accordance with the OMB, it is necessary to explain and justify transfers of charges onto federally and state funded sponsored awards. Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal requirements, sponsoring agency guidelines, and U.S. Generally Accepted Accounting Principles (GAAP).

Overview

Consistent with the OMB UG, Wake Forest University applies cost principles based on the following fundamental premises:

- (a) Non-Federal entities are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.
- (b) Non-Federal entities assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) Non-Federal entities, in recognition of their own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of non-Federal entities. However, the accounting practices must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to Federal awards.
- (e) Cognizant agencies involved in negotiating indirect (or facilities and administrative (F&A)) cost rates and auditing should assure that non-Federal entities are generally applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item among non-Federal entities, the reasonableness and equity of such treatments should be fully considered during rate negotiations and audits.

Cost Transfers

In addition to the overarching Uniform Guidance, the University applies the NIH grants Policy Statement 7.5, for all federal sponsored research cost transfers, overruns, and accelerated and delayed expenditures. Consistent with this Policy Statement, cost transfers that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. 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 the Principal Investigator (PI), Grant and Contract Manager (GCM), or designee. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable. For expenses unrelated to payroll, a Cost Transfers and Allocations Form must be completed by the department with any supporting documentation attached for processing by Financial Services (FS). Additionally, Cost Transfers that affect submitted financial reports are generally unallowable.

WFU maintains documentation of approved cost transfers, pursuant to 45 CFR 75.364, and makes the documentation available for audit or other review. The PI, GCM, or designee is responsible for reviewing statements periodically to detect such errors within a reasonable period. If a department has frequent errors, FS will evaluate and assist as needed to prevent reoccurrence.

Incorrect charges that are discovered on a sponsored project must be moved off of the award and onto an acceptable fund source. Expenditure credits and refunds will continue to post, regardless of date, and will be returned to sponsor in a timely manner as needed.

Cost Allocations

The University may have salaries or other activity expenses that are supported by two or more sources, issues arise as to how the direct costs should be allocated among the sources of support. In general, a cost that benefits two or more projects or activities in proportions that can be determined without undue effort or cost should be allocated to the projects on the basis of the proportional benefit.

Any cost that benefits two or more projects or activities in proportions that are difficult to determine because of the inter-relationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable basis. This is permissible only if the costs charged are allowable, allocable, and reasonable under the applicable cost principles and within the University's financial system, which ensures that adequate internal controls are utilized.

Primary Guidance

OMB Uniform Guidance

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<https://www.grants.gov/web/grants/learn-grants/grant-policies/omb-uniform-guidance-2014.html>

NIH Grants Policy Statement

https://grants.nih.gov/grants/policy/nihgps/html5/section_7/7.5_cost_transfers_overruns_and_accelerated_and_delayed_expenditures.htm

Responsibilities

University Office or Officer

The PI, GCM, or designee take primary responsibility for ensuring compliance with federal regulations as well as the monitoring of expenditures, timely correction of errors, and proper allocation of expenses. Financial Services oversees and assists as needed.

Who Is Governed By This Policy

All Wake Forest University faculty, staff, and students who administer federal, state and privately sponsored research agreements.

Who Should Know This Policy

All Wake Forest University faculty, staff, and students who administer federal, state and privately sponsored research agreements.