


TRANSACTION ALLOWABILITY

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Business Purposes

- Why is a business purpose important?
 - It helps auditors understand why the purchase was made and how it benefits the project
 - It should demonstrate why the expense is reasonable, necessary, allocable and consistent with Cornell and sponsor policy
 - Your business purpose can also help the Department during our account review (flagging unallowables or charges made to an account in error, species, names, project descriptions etc.)
- What should a business purpose include?
 - What you are purchasing
 - Why you are purchasing it
 - How it will be used

Business Purpose

- **Good Business Purposes**

- Reagents for eliminating DNA contamination in qPCR analysis of IVF and cryogenic experiments
- Pencils for testing lead levels in mechanical pencils vs standard #2 pencils
- Lab notebook to record results for the USDA Cat Cuddle project under Dr. Happy

- **DO NOT USE**

- General supplies
- Restocking materials
- Lab supplies
- Travel
- Notebook

General Unallowables

- NYS licenses- covered by the hospitals license
- Donations – anything that gives you a tax write off (if there is a tax form it is probably unallowable)
- Extra curricular conference add ons
 - Fun runs
 - Additional meals
- Personal expenses
 - Lost luggage, replacements
 - Health and beauty items
- Gift for hosts are not allowed anymore
- Child care costs
- Insurance (travel protections through concur)
- Upgrades on airfare (need to be approved and justified) and a comparison quote must be secured at the time of booking
- Travel reimbursements over a year old
- Post term activities (exceptions may be made for publications)

[Policy 3.14, Business Expenses \(cornell.edu\)](#)

Purchases to ask about (esp on sponsored)

- FUN activities – Sad activities – Not allowed on grants, unless budgeted and approved by the sponsor
 - Must have appropriate justification on non sponsored funds
- Computers – still need to be budgeted and justified on an award
- Foreign travel – not all sponsors allow foreign travel (make sure you register, fly America act)
- Participant support – have to make sure this is handled according to policy
- Memberships to professional societies
- Equipment – capital equipment purchases must be budgeted and tracked
- Gift cards – these are taxable to the receiver and complicated to administer
- Purchases in the last 90 days of an award
- Anything that can not be directly allocated to a project (indirect items)
- Pre-award spending

Preaward Spending

Two types of preaward spending

- Spending prior to securing a signed contract
 - We consider this “at risk” spending
 - What are the risks?
 - The contract can not be negotiated and funding is not secured
 - Expected funding levels are reduced in the signed contract
 - The start dates could be modified creating unallowable pre contract transactions
 - We will create an account to house these transactions
 - This account will be noted as “pre award” in your account updates and will show a negative balance to help track spending
 - Any activity that is not allowed in the signed contract will be covered by your discretionary funding

Preaward Spending

Two types of preaward spending

- **Spending prior to the start date of an awarded project**
- Many (but not all) Federal sponsors allow this type of spending up to 90 days prior to the start date
- For non Federal sponsors this is rarely allowed
- This will be clearly written in the contract if allowed
- We will create an advance account for these transactions to be housed in

Allowable Transaction Corrections

- Transaction corrections **MUST** be made within 90 days of the activity
- Each cost transfer must be clearly explained with supporting documentation. Especially if moving from sponsor to sponsor or discretionary to sponsor

Allowable Transactions Corrections

From policy 3.20 Cost transfers on sponsored agreements

* although specific to sponsored awards Cornell policy generally mirrors sponsored requirements

• Allowable

- 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

• Unallowable

- 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
- Cost transfers made >90 days after activity occurred



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