ORA-02-01 COST TRANSFER POLICY

ORA-02-01.01 Definition of Cost Transfers

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary. This policy refers only to sponsored project cost transfers. Funding agency requirements concerning the management of awards made to institutions limit the circumstances under which cost transfers are allowed.

Below are some examples of typical circumstances in which cost transfers are allowable within 90-day period from the date the expense was posted.

- Correction of a clerical error
- Reallocation of expenses where multiple projects benefited
- Reallocation of shared resource costs
- Transfer of pre-award costs from divisional or discretionary project funds to a sponsored project – when a pre-award NOA is not established

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project more than 90 calendar days from the date the expense was posted. If a late transfer is requested then a Cost Transfer Request Form must be completed and submitted to the Office of Research Administration.

Below are some examples of typical circumstances in which late cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Reallocation of expenses because the error was not discovered within a 90-calendar day period

ORA-02-01.02 Regulations Regarding Cost Transfers

OMB Circular No. A-21 states that, “Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.” Other federal regulations require cost transfers to be made in a timely manner. Timely is defined as taking place within 90 days of when the cost was posted.

NIH guidelines state that, “Cost transfers to NIH grants by grantees, or by consortium participants or contractors under grants, that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error is 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 a responsible organizational official of the grantee,
consortium participant, or contractor. An explanation merely stating that the transfer was made
"to correct error" or "to transfer to correct project" is not sufficient. Transfers of costs from one
budget period to the next solely to cover cost overruns are not allowable. Grantees must maintain
documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42, and must make it available
for audit or other review. Frequent errors in recording costs may indicate the need for accounting
system improvements and/or enhanced internal controls. If such errors occur, grantees are
couraged to evaluate the need for improvements and to make whatever improvements are
deemed necessary to prevent reoccurrence. NIH also may require a grantee to take corrective
action by imposing additional terms and conditions on an award(s).”

ORA-02-01.03  Reason for Policy

Proper management of funds is essential to uphold the fiduciary responsibilities of the
University. Federal agencies and other sponsors may regard the following activities as indicative
of inadequate control:

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained transfers, especially those which involve
  sponsored projects with overruns or unexpended balances

Inappropriate transfers could result in expenditures being disallowed and/or subsequent reduction
in funding by the sponsoring agency.

ORA-02-01.04  Policy

University of Akron’s policy requires that costs should be charged to the appropriate sponsored
project when first incurred. There are circumstances in which it may be necessary to transfer
expenditures to a sponsored project subsequent to the initial recording of the charge. Expenses
should be reconciled on a regular basis to confirm that activities charged to sponsored projects
are reasonable, consistently treated, allocable and allowable in accordance with OMB
Circular A-21, University policy, Federal regulations, and sponsor-specific guidelines.

When the University of Akron accepts Federal research funding, it must comply with the
allowability and allocability requirements of the Federal Cost Principles. To comply with the
allowability and allocability requirements, it is necessary to explain and justify transfers of
charges onto federal and non-federal sponsored projects from other federal or non-federal
projects. The Cost Principles prohibit the use of cost transfers for the purpose of "convenience,"
including a transfer largely for the purpose of using unexpended funds on an award that is
ending. Timeliness and completeness of transfers and the accompanying justification for the
transfers are important factors in supporting allowability, allocability and cost compliance.
Office of Research Administration

In order to maintain consistency in the treatment of cost transfers, the University of Akron’s policy on cost transfers applies to all federal and non-federal sponsored projects. All transfers must be submitted within 90 calendar days after the expense(s) is posted on the general ledger within the financial system, but no later than 60 days after the project terminates. Every transfer request requires a Cost Transfer Request Form to be submitted and approved by the Office of Research Administration. Note that once a final Financial Status Report or Final Invoice has been issued, retroactive cost transfers are not permitted unless the transfer(s) is anticipated as a part of the close out process or the charge was unallowable. All requests initiated after the 90 days require a signature of the Dean, Department Chair or Director and will be reviewed by ORA on a case-by-case basis to determine if the justification provided is appropriate for the late cost transfer.

Transfers made after the 90-day period raise serious questions concerning the propriety of the transfer. When transfers are not adequately justified or are made for inappropriate reasons, ORA will disapprove the transfer request and the department will be responsible for transferring the expenses to an appropriate non-sponsored account.

**ORA 02-01.05  Salary Transfers**

Cost transfers for employees who have already certified their effort are rarely permitted. However, if a mistake has occurred, a detailed explanation explaining why the effort was certified needs to be included on the Cost Transfer Form. Payroll distribution and certified effort must coincide. A Cost Transfer Form must be sent along with any Personnel Action Forms (PAFs) that are requesting redistributions.

**ORA-02-01.06  Principal Investigator's Responsibility**

To ensure that the University is in compliance with these regulations, the principal investigator is responsible for ensuring that cost transfers are:

- Made within 90 calendar days from the date the expense was posted on the general ledger but no later than 60 days after the project terminates
- Supported by a sufficient written explanation and documentation that describes in detail why the transfer is necessary.