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Cost Transfer Policy

It is the policy of the University of Wisconsin – Madison 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. Those transactions require monitoring for compliance with UW policy, Federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

When the UW accepts Federal research funding, it must comply with the allowability and allocability requirements of the Federal Cost Principles and the Uniform Administrative Requirements. 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.

In order to maintain consistency in the treatment of cost transfers, the UW's policy on cost transfers applies to all federal and non-federal sponsored projects. Under the UW's Cost Transfer Policy, all transfers must be submitted within 90 calendar days of the accounting date. When transfers are not adequately justified or are made for inappropriate reasons, the department is responsible for transferring the expenses to a non-sponsored departmental account.

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 systems:

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

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

Definition of Cost Transfers

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project within a 90-calendar day period from the accounting date. Funding agency requirements concerning the management of awards made to institutions such as the University of Wisconsin – Madison limit the circumstances under which cost transfers are allowed. In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures.

Here are some examples of typical circumstances in which cost transfers are allowed:

- Correction of a clerical error
- Redeployment 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
- Reallocation of a salary expense

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 accounting date.

Here 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 clerical error was not noticed within a 90-calendar day period
Terms and Definitions

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

128, 136  The spending fund identifier that denotes FEE-FOR-SERVICE activity.

133  The spending fund identifier that denotes a NON-FEDERAL sponsor.

135  The spending fund identifier that denotes WARF-sponsored activity.

144  The spending fund identifier that denotes a FEDERAL sponsor.

Account Number in Advance of Award, RSP Form 88-1  A project that is established in the financial system prior to receipt of an award; a provisional account.

Accounting Date  For the purposes of this policy, the accounting date is the end of the month of the journal date as shown in WISDM.

Allocable  A cost is allocable to a project if goods or services involved are chargeable or assignable in accordance with the relative benefits received by the projects. In order to be allocable a cost must be treated consistently in like circumstances. For further information see OMB Circular A-21.

Allowable  A cost is allowable to a project if:

A. The costs are reasonable;
B. The costs are allocable to the specific project;
C. The costs are treated consistently in like circumstances; and
D. The costs conform to any limitations of the cost principles or the sponsored agreement.

For further information see OMB Circular A-21.

Appropriate  If a cost meets the criteria of being allowable, allocable, and reasonable it is appropriate.

Authorized Signer  An individual who authorizes a cost transfer transaction, usually the PI or his/her designee.

Award  A funding mechanism between the Board of Regents of the University of Wisconsin System and a sponsor whereby the sponsor commits funding to the University for a specific scope of work and for a specific period of time.

Award Expiration Date  The end of an award period on a project.

Cost Transfer  An after-the-fact reallocation of the cost, either salary or non-salary, to a sponsored project within a 90-calendar day period from the accounting date of a transaction.

Cost Transfer Review  A process whereby transactions are analyzed to see if they meet the standards of reasonableness, allowability, and allocability, and are in accordance with Agency and UW guidelines.

Direct Costs  Costs that can be specifically and readily identified with a particular project or activity.

Documentation  Includes a complete explanation of the allocability, allowability, and reasonableness, and any other documents pertaining to the specific transaction, including the WISDM report and a copy of the invoice.

Effort  A percentage of time devoted to a project by a principal investigator or other project personnel.

Facilities and Administrative Cost  Costs that are incurred by the Institution for common or joint objectives and cannot be identified specifically with a particular project or program. These costs also are known as "indirect costs" or "overhead".

Fiduciary Responsibility  Responsibility to manage funds in a manner consistent with the furtherance of the University’s mission and the conditions specified by external sponsors, when applicable.

Journal Date  Indicates when a transaction is posted into the general ledger. This date is available in WISDM for each transaction.
| **Late Transfer** | A transfer requested more than 90 calendar days after the end of the accounting month in which the transaction journal date has posted. |
| **Non-Salary Costs** | For purposes of this policy, non-salary costs are supplies, consultants, travel, equipment, and other non-payroll or non-stipend expenditures. |
| **PAR** | A personnel activity report used to certify effort. |
| **PI (Principal Investigator)** | The individual responsible for determining that the expenditures are necessary, allowable, allocable, reasonable, properly approved, and adequately documented. A PI may delegate this authority to a designee. |
| **Project** | A set of activities including budget, scope of work, period of performance and PI. An award (the legal obligation of funds) may contain one or more projects. |
| **Project/Grant Number** | The numeric/alpha identifier for the financial activity of a project. The project/grant number is a unique seven-digit number/letter combination and is used to record financial activity in the general ledger. Also called "account number." |
| **Reasonable** | Would a prudent person pay this amount for this item or "If it were published on the front page of the Wisconsin State Journal, would that be okay with you"? For further information see OMB Circular A-21. |
| **Salary Costs** | For purposes of this policy, salary costs are payroll expenses (salary and benefits) as well as stipends that are reported as costs to the general ledger. |
| **Sponsored Project** | A project funded by an award from a grant, contract, or cooperative agreement under which the Institution agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budget. |
| **Stewardship** | The careful and responsible management of the Institution's financial resources. |
| **Stipend** | A payment made to an individual for participation in training or learning experience. The payment helps defray the individual's living expenses during the period of training. Even though a stipend is not considered compensation for the services of an employee, a transfer of stipend costs uses a salary cost transfer mechanism. |
| **Transaction** | Any event that involves an exchange of funds between two parties. Examples are paying a bill to a vendor, collecting a fee, and processing an interdepartmental charge. |
| **UDDS** | The seven-digit code that identifies UW spending units by University/Division/Department/Subdepartment. |
| **WISDM** | Wisconsin Data Mart for Peoplesoft Financials. The reporting tool used to provide information from the general ledger of the University's accounting system. |
Types of Transfers

Salary Cost transfers

A salary cost transfer means the movement of payroll expenses or stipends onto a sponsored project. Payroll expenses include salary and fringe benefits.

Instructions and Examples:

- Salary Cost Transfer within 90 days
- Salary Cost Transfer beyond 90 days

Non-salary cost transfers

A non-salary cost transfer means the movement of expenditures for items other than payroll or stipends onto a sponsored project. Typical examples of non-salary costs include expenses for supplies, services, consultants, travel, and equipment.

Instructions and Examples:

- Non-Salary Cost Transfer within 90 days
- Non-Salary Cost Transfer beyond 90 days
Salary Cost Transfers Within 90 Days

An Example of an appropriate Salary Cost Transfer: a payroll error was posted on 9/30. A Salary Cost Transfer needs to be submitted prior to 12/31.

The distribution of salary charges for University personnel should be a reasonable reflection of the employee’s effort. These distributions should be reviewed on a regular basis. If changes are anticipated, a payroll change request should be prepared and submitted.

In the cases where these changes were not anticipated and result in the need to submit a salary cost transfer request, the request should be submitted immediately (see “Timeliness,” below).

Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distribution and the amount of effort as certified on a PAR must coincide. Note: for transfers affecting 144 accounts, if the salary cost transfer request affects a closed PAR certification period, refer to the Effort Reporting Policy for further guidance.

Permissibility of Salary Cost Transfers

For a Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Salary Cost transfers should be processed immediately after the error is identified, but in any case not later than 90 days after the end of the accounting month in which the transaction journal date has posted. Transfers made after this period of time raise questions concerning the propriety of the transfer.

Each Salary Cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. Research and Sponsored Programs may also require copies of additional supporting documentation or information beyond what is required with the salary cost transfer request.

Process

To process Salary Cost transfers within 90 days, you will need to submit a completed Salary Cost Transfer form to your School/College Dean’s Office. The Dean’s Office will forward it to Research and Sponsored Programs for approval. The salary cost transfer should include a complete justification. As general guidance, the explanation should address the following questions:

1. Why was this expense originally charged to the project from which it is now being transferred?
2. Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?
3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

Generic or incomplete justifications may be returned to the preparer for additional explanation.
Late Salary Cost Transfers (Beyond 90 Days)

An Example of a Late Salary Cost Transfer: A payroll error was posted on 9/30 but was not identified until after 12/31. A late salary cost transfer request should be submitted immediately. However, should it not meet the extenuating circumstances, charges would be required to be moved to a non-sponsored departmental account.

The distribution of salary charges for University personnel should be a reasonable reflection of the employee’s effort. These distributions should be reviewed on a regular basis. If changes are anticipated, a payroll change request should be prepared.

In the cases where these changes were not anticipated, resulting in the need to submit a salary cost transfer request, the request should be submitted immediately (see “Timeliness,” below).

Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distribution and effort as certified on a PAR must coincide. Note: for transfers affecting 144 accounts, if the salary cost transfer request affects a closed PAR certification period, refer to the Effort Reporting Policy for further guidance.

Permissibility of Salary Cost Transfers

For a Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Salary Cost transfers should be processed immediately after the error is identified, but in any case not later than 90 days after the end of the month of the original transaction. Transfers made after this period of time raise questions concerning the propriety of the transfer. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

Note: The University of Wisconsin – Madison is obligated to immediately correct unallowable charges made to sponsored projects, regardless of time frame.

Each Late Salary Cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. Research and Sponsored Programs may also require copies of additional supporting documentation or information beyond what is required with the salary cost transfer request.

Process

To process Late Salary Cost transfers, you will need to submit a completed Salary Cost Transfer form to your School/College Dean’s Office. The Dean’s Office will forward it to Research and Sponsored Programs for approval. The salary cost transfer form contains a second page for additional justification for transfers made after 90 days. You must provide this complete justification addressing the following questions:

1. Why was this expense originally charged to the project from which it is now being transferred?
2. Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?
3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?
4. Why is this cost being transferred more than 90 days after the original date the transaction was recorded?
5. What corrective action has been taken to eliminate future need for cost transfers of this type?

Generic or incomplete justifications may be returned to the preparer for additional explanation.
Non-Salary Cost Transfers within 90 Days

An Example of a Non-Salary Cost Transfer: An error was posted on 9/15. A non-salary cost transfer request needs to be submitted prior to 12/31.

Permissibility of Non-Salary Cost Transfers

For a Non-Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Non-Salary Cost transfers should be processed immediately after the error is identified, but in any case no later than 90 days after the end of the month of the original transaction. Transfers made after this period of time raise questions concerning the propriety of the transfer.

Each Non-Salary cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. Research and Sponsored Programs may also require additional supporting documentation or information beyond what is required with the non-salary cost transfer request.

Process

To process Non-Salary Cost transfers within 90 days, you will need to submit the following to your School/College Dean’s Office. The Dean’s Office will forward it to Research and Sponsored Programs:

A. Copy of the WISDM Cell Detail Report clearly marking the line(s) to be transferred.

B. A completed Cost Transfer Request (Non-Salary) form with a complete justification. As general guidance, the explanation should address the following questions:
   1. Why was this expense originally charged to the project from which it is now being transferred?
   2. Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?
   3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

Generic or incomplete justifications may be returned to the preparer for additional explanation.
Late Non-Salary Cost Transfers (Beyond 90 Days)

An Example of a Late Non-Salary Cost Transfer: An error was posted on 9/15, but was not identified until 1/15. A late non-salary cost transfer request should be submitted immediately. However, should this not meet the extenuating circumstances, charges would be required to be moved to a non-sponsored departmental account.

Permissibility of Non-Salary Cost Transfers

For a Non-Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Non-Salary Cost transfers should be processed immediately after the error is identified, but in any case no later than 90 days after the end of the month of the original transaction. Transfers made after this period of time raise questions concerning the propriety of the transfer. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

Note: The University of Wisconsin – Madison is obligated to immediately correct unallowable charges made to sponsored projects, regardless of time frame.

Each Late Non-Salary cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. Research and Sponsored Programs may also require additional supporting documentation or information beyond what is required with the late non-salary cost transfer request.

Process

To process Late Non-Salary Cost transfers, you will need to submit the following to your School/College Dean’s Office. The Dean’s Office will forward it to Research and Sponsored Programs:

A. Copy of the WISDM Cell Detail Report clearly marking the line(s) to be transferred.

B. A completed Cost Transfer Request (Non-Salary) form with a complete justification. The non-salary cost transfer form contains a second page for additional justification for transfers made after 90 days. You must provide this complete justification addressing the following questions:

1. Why was this expense originally charged to the project from which it is now being transferred?
2. Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?
3. Why are the charges considered allowable and allocable based on the terms and conditions of the receiving award?
4. Why is this cost transfer being transferred more than 90 days after the original date the transaction was recorded?
5. What corrective action has been taken to eliminate future need for cost transfers of this type?

Generic or incomplete justifications may be returned to the preparer for additional explanation.
Roles and Responsibilities

Principal Investigator / Department Designee Responsibilities:

- Ensures that expenditures are allocable, allowable and reasonable to a specific sponsored project.
- Ensures that expenditures are allocated in accordance with award budget, sponsor guidelines, and UW-Madison policy.
- Ensures that individuals have appropriate authority to incur and allocate expenditures.
- Ensures that monthly monitoring of expenditures, timely correction of errors, and reallocation of expenses, including personnel effort, occurs.
- Ensures compliance with UW-Madison Cost Transfer Policy
- Initiates and authorizes requests for cost transfers.
- Provides complete, clear and reasonable justification for transfers as required by this policy.
- Manages project to minimize the need for cost transfers.

College / School Responsibilities:

- Ensures that personnel responsible for financial administration of sponsored projects are familiar with UW-Madison Cost Transfer Policy.
- Provides oversight and advice on sponsored project administration including cost transfers and personnel activity reports.
- Provides support to answer questions and concerns from PI’s and departments regarding cost transfer issues.
- Approves transfers, and ensures 90 day compliance with UW-Madison Cost Transfer Policy.

Research and Sponsored Programs Responsibilities:

- Exercises stewardship over sponsored projects in accordance with specific award terms and conditions and sponsor policy.
- Advises PI, Department, and Dean’s Office on processing cost transfer adjustments and procedures.
- Reviews and approves cost transfers and supporting documentation in accordance with UW-Madison policy and sponsor guidelines.
- Provides training on Cost Transfer Policy and principles of sponsored project administration.

Please note that the distribution of these responsibilities may vary in different areas of campus. Responsibilities may be shared or delegated differently between the respective groups depending on organizational structure and staffing at the PI/designee, college/school, and Research and Sponsored Programs Office level.

Assistance and Support

Research and Sponsored Programs is available to respond to inquiries and assist the PI or designee and College/School personnel with question regarding Cost Transfers. Your College/School’s Dean’s administrative office will also be able to provide guidance with cost transfer issues and concerns.
Project Management

It is critical that all sponsored project expenditures be reviewed on a regular basis to ensure that both salary and non-salary charges are correct and appropriate. It is the responsibility of the principal investigator, and/or the PI’s designee, to authorize transactions and review the expenditure activity. This review should include the determination that the charges are reasonable, allowable, allocable, and directly support the scope of work for that project.

Appropriateness

Typically, cost transfers are appropriate when they involve allowable direct costs of the sponsored project and the purpose is to:

- Correct errors in processing the original charge
- Move costs between projects for closely related work (as defined by the project scope) that is supported by more than one funding source
- Transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C.25.e.1

Lack of Appropriateness

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

- When the transfer is largely for the purpose of utilizing unexpended funds on a sponsored project
- When the transfer is for the purpose of avoiding or clearing a cost overrun by charging another, unrelated sponsored project
- When the transfer circumvents award terms and conditions or the cost principles

Frequent, late, and inadequately explained or documented transfers raise serious questions about the appropriateness of the cost transfers and may result in audit disallowances.
Additional Regulatory References

OVERVIEW:

Sponsored programs are subject to many terms and conditions from a variety of sources. Accordingly, the University of Wisconsin System Financial and Administrative Policy (FAP) G2: Extramural Support Administration, section II stipulates that all extramural funds are subject to the following rules and regulations:

- All applicable Federal Office of Management and Budget (OMB) Circulars.
- Rules and regulations of the granting agency.
- Guidelines established by the National Association of College and University Business Officers (NACUBO).
- State and UW System policies and procedures.
- State Statutes.
- Regent resolutions.

FEDERAL GUIDELINES:

Office of Management and Budget (OMB) Circulars

Federal OMB Circulars provide the overall guidance for use of Federal funds. It is expected that all recipients of Federal funds will comply with the terms and conditions of the appropriate Circulars in all circumstances.

- OMB Circular A-21 "Cost Principles for Educational Institutions" (05/2004) sections C.1-C.4 establish basic cost considerations which include the concepts of allowability, allocability, and reasonableness.

- A-21, C.4.b, which is of particular importance, states: "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."

- OMB Circular A-110 "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" (09/1999) subpart D.71 (b) states: "Unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions."

- OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" section E.500 stipulates that each fiscal year an annual audit be conducted to "determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements." An annual Compliance Supplement is issued with a matrix of compliance requirements for grants from each federal agency providing auditors specific instructions for reviewing auditee's internal control systems as well as adherence to allowable cost guidelines and principles.

Policies of Federal Granting Agencies:

- The NIH Grants Policy Statement (NIHGPS) (Rev. 12/03) pages 83-84, suggests:

"Cost transfers to NIH grants by grantees...should be accomplished within 90 days.... 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...merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. Transfers of costs from one project to another or from one competitive segment 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, enhanced internal controls, or both. If such errors occur, grantees are encouraged 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)."

As Non-NIH agency guidelines may differ, please check individual agency policy for the allowability of Cost Transfers.
Extenuating Circumstances

Approval for late cost transfers will be granted only in extenuating circumstances.

Examples of Allowable Extenuating Circumstances:

- Late issuance of an award or full execution of an agreement or subcontract after the start of the budget year or other period of performance. Supporting documentation is required. Research and Sponsored Programs recommends that an Account Number in Advance of Award (RSP Form 88-1) be established, which is done at the request of the Principal Investigator or designee.
- Failure of a timely response in another unit when supporting documentation has been properly submitted, e.g., a properly submitted payroll distribution change request. The original or copy of supporting documentation will be required.
- Transfer of expenditures to a sponsored project where the appropriate account could not be activated on a timely basis before the begin date of the project.

Examples of Unallowable Circumstances for Late Cost Transfers:

- Absences of the PI or designee, or shortage or lack of experience of staff. It is the responsibility of the College/School and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor’s policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
- At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.

Late Cost Transfers

- Late Salary cost transfers
  Instructions and Example
- Late Non-Salary cost transfers
  Instructions and Example
Cost Transfers Frequently Asked Questions

Q1: Why is the time period 90 days?

Ninety (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper project and function. It is a standard established in federal circulars and grant policy.

Standard practice should be to post costs to the most appropriate project/grant. However, subsequent adjustments may be necessary, for example to account for unseen shifts of personnel between closely related sponsored projects, or to correct errors. These actions are reasonable if transferred within 90 days.

Q2. How do you calculate the 90 day period?

The 90 days begins at the end of the accounting month that the original transaction is posted in WISDM. The “clock” runs until the transfer has been prepared and all departmental signatures have been obtained. Processing time in the Dean’s Office, Research and Sponsored Programs, and Accounting Services is not included in the determination of whether a transfer has met the 90 day criteria.

For example, if a travel expense charge is posted 9/12, the accounting date would be 9/30. Transfers completed and signed by 12/31 would fall within the 90 day period. Transfers completed and signed after that date would be considered late cost transfers.

Q3. Is this standard applicable to all sources of University funds?

No, the 90-day standard is being applied only to sources of extramurally sponsored University projects that are in fund 144 and sponsored projects in fund 133. Although this standard is not a requirement for other funds or gift accounts in fund 133, it should be considered useful guidance. It is important for the University as a whole to record its costs (and associated revenues) in a timely fashion. The accuracy and auditability of its records are improved when postings and corrections are made in a timely manner.

Q4. Is this standard applicable to all my University Sponsored Projects?

No, this standard is only applicable to all extramurally sponsored University projects and activities in fund 144 (Federal) and fund 133 (Non-Federal). If you have projects managed in other fund sources (101, 135, 136, etc), the 90 day-standard is not a requirement. It should be considered useful guidance.

Q5. Is this standard applicable to salaries?

Yes, this standard is applicable to salary expenditures. It is especially important that, to the extent possible, payroll expenditures are budgeted and recorded on the proper project/grant at the time of their occurrence.

Q6. Can I wait until our department completes its effort reports before submitting salary transfers?

Generally not. The intended use of effort reports is not as a check of where salary charges are made. Salary distributions should be reviewed on a regular basis so the effort reports are a reasonable reflection of the employee’s paid effort when first generated. There may be situations where changes are needed to the effort reported and the corresponding salary transfer is needed. The transfer may be appropriate, but because it is beyond 90 days the transfer would also need to meet the extenuating circumstances.

Q7. How should research expenditures for project work be recorded before a sponsored project is established?

The College/School Dean’s Office can assist in establishing an Account Number in Advance of Award (RSP form 88-1). It is not appropriate to use a generic discretionary account and move expenses to the funded award beyond 90 days.

Q8. What if a vendor doesn’t provide an invoice for services rendered within 90 days?

Although rare, this circumstance can occur and may be an acceptable circumstance for a late transfer justification. The University cannot pay for services for which it has not been invoiced. Vendors should be contacted immediately and urged to submit outstanding invoices or risk the possibility of non-collection due to lapsing funds. If a vendor invoices later than 90 days after the provision of services, the University will pay upon receipt and note for the record that the invoice was late.
Q9. What if a program is disputing an invoice with a vendor and the dispute extends beyond 90 days?

The dispute should be clearly documented between the program and the vendor. The University has an obligation to notify vendors in a timely manner if goods and services are not satisfactory and to timely pursue resolution of outstanding issues. Delays due to the normal course of other business intervening, change in personnel or other departmentally based factors are not acceptable reasons for delaying posting of expenditures.

Q10: Is it allowable to place charges on a single MDS account, or other internal vendor account, but then transfer/reallocate these costs to several other 144 accounts?

To adhere to the University of Wisconsin-Madison policy that costs be charged to the appropriate sponsored project when first incurred, separate MDS account numbers for each sponsored project is the preferred method. Federal accounts (Fund 144) cannot be used as the default project/grant. The charges must be reallocated by the PI or designee.

Q11: If I miss my biweekly pro-card account rollup, and I then have to process cost transfers, will they be approved?

Research and Sponsored Programs strongly recommends that all pro-card purchases be allocated appropriately to the correct account during the biweekly pro-card edit period. Cost transfers within 90 days of the transaction date would be allowable for missed biweekly pro-card account rollups with proper justification.

Q12: If a PI requests a salary transfer for a student and then two months later requests another transfer of the same charge to another project, what do I do?

It is the University of Wisconsin-Madison policy that costs be charged to the appropriate sponsored project when first incurred. Unless there are extenuating circumstances clearly explained in the cost transfer justification, a second transfer on a 144 transaction is unallowable. At no time should sponsored projects be used as back-up projects or as discretionary projects for expenses that will subsequently be transferred elsewhere.

Q13: After a 133 or 144 cost transfer arrives at the Peterson Building, how long does it take to be reflected on the account?

Cost transfers are processed in Research and Sponsored Programs as quickly as possible (two to five days) and then submitted to UW-Accounting for entry into the SFS. Cost transfers involving multiple accounts may have a slower processing time in RSP if the accounts have different funding agencies. Different RSP accountants handle different sponsors; and each RSP accountant must approve charges on the cost transfer for their respective assigned funding agency(s).

Because of workload variation or accounting calendar requirements (such as month-end close-out), departments should allow adequate processing time before the transfer appears in WISDM.

Q14: Are generic statements such as “transfer to appropriate funding source” and “to reflect additional efforts” sufficient justification for transfers less than 90 days?

Generic statements are not generally acceptable on extramural support cost transfers. For all charges on a project, you should be able to explain the allowability of those costs. As general guidance, acceptable justifications should be able to address the following:

1. An explanation as to why the expense was originally charged to coding from which it is now being transferred.
2. An explanation as to why the charge needs to be transferred to the proposed receiving project.
3. An explanation as to why the charge is allowable and allocable based on the terms and the conditions of the receiving award.

For cost transfers after 90 days of the accounting date, the justification must include the items above as well as two additional items:

4. Why the cost is being transferred more than 90 days after the accounting date.
5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future at the departmental level.

Q15: If my cost transfers have been delayed several months because of the limitations and problems of WISDM financial data, is that a valid reason for approving my late cost transfer?

When the cost transfer is necessary due to a specific WISDM problem and adequate justification is provided on the cost transfer form, Research and Sponsored Programs would consider this as an allowable extenuating circumstance. Justifications such as "WISDM problem" would not be an acceptable justification and would not be allowed/approved.
Q16: May I use a cost transfer to “spend down” an account that is nearing its end date?

If the cost transfer does not meet the standards for allowability, allocability and reasonableness, it will not be approved.

Q17: There is a staffing shortage in our department and I am doing payroll, department administration, grant accounting, etc. Many times my transfers are past 90 days. Will they be approved?

Staff shortages or lack of staff experience are unallowable circumstances for late cost transfers. Auditors typically view this explanation as a sign that the department does not provide adequate monitoring or maintain sufficient internal control over the use of extramural funds. The College/School and the PI have a responsibility to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor’s policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

Q18: A contract has been in negotiation for 5 months and the account has now been set-up. Work started and costs were charged to our department 133 account. Can I now transfer 5 months of salary expense to the new account?

A five-month contract negotiation would be considered an allowable extenuating circumstance. The five month salary transfer should be submitted as soon as the PI knows the new account number. Supporting documentation/justification is required with the transfer. To avoid this extenuating circumstance, Research and Sponsored Programs recommends that an Account Number in Advance of Award (RSP Form 88-1) be established, which is done at the request of the Principal Investigator or designee.

Q19: I need to move several months of an individual’s salary. A portion, but not all, of the amount to be transferred has been on the current account for over 90 days. Do I need to complete two justifications: one for the late justification and one for the portion that is timely?

No, you will only need to complete one justification. However, because some of the charges were on the account for over 90 days before a correction was initiated, you must complete the late cost transfer justification form.

Q20: I need to do a transfer because of an error created in another department or unit of campus. When I write my justification, should my explanation specify the other unit by name?

Yes. While no one likes to point fingers or blame others for mistakes, it is important to explain the reason for the transfer. Areas that consistently make errors need additional attention and training to help them understand the complications they create. Over the long-term, campus will be working with these units to improve their operations so fewer errors, and corresponding transfers, occur.
Late Cost Transfer Justification Form for Extramural Sponsored Projects.

TRANSFER REFERENCE INFO: ____________________________________________
For salary transfers, provide employee name.
For non-salary transfers, provide the voucher number(s) listed on the transfer form.

INSTRUCTIONS: This form should be completed and attached to each transfer request (salary or non-salary) form which moves costs onto a federally sponsored project (fund 144), or non-federal sponsored project (fund 133) initiated more than 90 days after the end of the accounting month in which the transaction journal date has posted. Please answer questions 1 through 5 below. Attach additional sheets if necessary.

1. Why was this expense originally charged to the coding from which it is now being transferred?

2. Why should the charge(s) be transferred to the proposed receiving project (i.e., how does the project benefit)?

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

4. Why is this cost being transferred more than 90 days after the transaction occurred?

5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future?

Completed by: _______________________________________________________
Name ____________________________________________ email ____________
phone ____________________________

This form is not required for:
- Transfers to extramurally sponsored projects initiated prior to 90 days after the end of the month of the accounting date.
- Gift accounts (fund 133)
- Any other funds.

Additional information on Cost Transfers for Extramural Sponsored Projects is available at www.rsp.edu/policies/costtransfer.
Late Cost Transfer Justification Form for Extramural Sponsored Projects.

TRANSFER REFERENCE INFO: 6-52463AB

For salary transfers, provide employee name.
For non-salary transfers, provide the voucher number(s) listed on the transfer form.

INSTRUCTIONS: This form should be completed and attached to each transfer request (salary or non-salary) form which moves costs onto a federally sponsored project (fund 144), or non-federal sponsored project (fund 133) initiated more than 90 days after the end of the accounting month in which the transaction journal date has posted. Please answer questions 1 through 5 below. Attach additional sheets if necessary.

1. Why was this expense originally charged to the coding from which it is now being transferred?
The pro card supply transactions being transferred were charged to 144-XXXX with the expectation that continuation funding from the sponsor was to be received at the end of June. The continuation was to fund an additional 12 months project work effective July 1. The research expenditures were required to support the ongoing laboratory experiments being conducted during this time period. The decision to continue charging 144-XXXX was made after consulting with our Department, Dean’s Office, and Research and Sponsored Programs. Continued spending was reauthorized each month by the Dean.

2. Why should the charge(s) be transferred to the proposed receiving project (i.e., how does the project benefit?)
Monthly follow-ups were conducted with the sponsor on the status of continuation proposal. The PI and the UW were finally notified in November that funding would be made, but the sponsor would have to award under a new funding authorization and a new start date. The supply expenses being transferred pertain to the experiments detailed in the scope of work for the continuation proposal.

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?
The supply expenses purchased on this pro card were used entirely to support the laboratory experiments being conducted for this continuation. As a result, they are allocated 100% to this sponsored project. The supply budget approved for this project was $20,000.

4. Why is this cost being transferred more than 90 days after the transaction occurred?
The supply transactions incurred and charged during the last 5 months are now being transferred to the new 144 account that was required as a result of the sponsored grant number. With the October 1 start date, all transactions are authorized under the new award as a condition of FDP preaward spending coverage. The UW was officially notified on November 20 of the award, and as a result, our July transactions now exceed the 90 day limitation.

5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future?
We have reviewed our preaward spending procedures and we would normally have processed an 88-1 form for an account number in advance of award. However, all concerned parties were continually assured that this continuation would be funded under the existing award number. Due to end of year budgetary constraints and changes with sponsor, this did not happen. Project work was reauthorized, but late transfers are now a result of this unexpected notification.

Completed by:

Name: ___________________________ email: ___________________________ phone: ___________________________

This form is not required for:
- Transfers to extramurally sponsored projects initiated prior to 90 days after the end of the month of the accounting date.
- Gift accounts (fund 133)
- Any other funds.

Additional information on Cost Transfers for Extramural Sponsored Projects is available at www.rsp.edu/policies/costtransfer.

UW Madison Cost Transfer Policy: Revised January 2006
1. Why was this expense originally charged to the coding from which it is now being transferred?
All expenses were posted to 144-AAAA for review and distribution at a later date.

2. Why should the charge(s) be transferred to the proposed receiving project (i.e., how does the project benefit)?
Charges more appropriate to 144-XXXX

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?
See #2

4. Why is this cost being transferred more than 90 days after the transaction occurred?
Staff person on family leave

5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future?
Staff person back from family leave

Completed by:  Joe Smith  262-0000

Name  email  phone

This form is not required for:
- Transfers to extramurally sponsored projects initiated prior to 90 days after the end of the month of the accounting date.
- Gift accounts (fund 133)
- Any other funds.

Additional information on Cost Transfers for Extramural Sponsored Projects is available at [www.rsp.wisc.edu/policies/costtransfer](http://www.rsp.wisc.edu/policies/costtransfer)