I. Cost Transfer Policy Statement

It is the policy of the University of Wisconsin – Extension 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 Extension policy, federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

When the UW Extension 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 that involve federal and non-federal sponsored 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 Extension’s policy on cost transfers applies to all federal and non-federal sponsored projects. Under the UW Extension’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.

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1 Any Fund 133 or 144 projects.
2 The accounting date is the end of the month when the original transaction was posted in the general ledger (WISDM).
II. Definitions of Cost Transfers and Sample Justifications

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, involving 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 – Extension limit the type of justifications for 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 justifications for which cost transfers are allowed:

- Correction of a coding 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
- Reallocation of a salary expense
- Reallocation of purchasing card expenses
- Transfer of costs from a predecessor to the successor project
- Transfer of unallowable expenses to discretionary funds
- Transfer of charges to a more appropriate fund based on additional analysis
- To correct negative balances (acceptable for transfers from sponsored to non-sponsored projects only)

Here are some examples of justifications for which cost transfers may not be allowed:

- Any costs that do not meet federal cost accounting standards (OMB Circular A-21):
  - Costs with unclear allocation, e.g., “this expense can be in either this project or another one”
  - Unreasonable costs
  - To “spend down” the funds

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, involving a sponsored project more than 90 calendar days from the accounting date.

The following are some examples of typical justifications for which late cost transfers are allowed. These justifications are due to circumstances that are beyond our institution’s control:

- Delays in award setup, e.g., due to negotiations with the sponsor
- Unavoidable IT system errors
- Specific, written guidance from the sponsor allowing late transfers
- Change in funding or an award amendment

The following are some examples of justifications for which late cost transfers may be allowed under rare and extenuating circumstances. Late cost transfers that consistently use these justifications may be indicative of the need for additional training and/or backup staffing:

- Transfer of unallowable expenses to discretionary funds
- Transfer of charges to a more appropriate fund based on additional analysis
- To correct negative balances (acceptable for transfers from sponsored to non-sponsored projects only)
- Shortage or lack of experience of staff
University of Wisconsin-Extension
Cost Transfer Policy for Sponsored Projects

III. Different Categories and Types of Transfers - Examples and Procedures

There are two different categories of cost transfers:

- Salary Cost Transfers (SCT), alternatively called Direct Retros
- Non-Salary Cost Transfers (NSCT)

Salary Cost transfers (SCT), or Direct Retros
A salary cost transfer means the movement of payroll expenses or stipends that involve a sponsored project. Payroll expenses include salary and fringe benefits.

Non-Salary Cost Transfers (NSCT)
A non-salary cost transfer means the movement of expenditures for items other than payroll or stipends that involve a sponsored project. Typical examples of non-salary costs include expenses for supplies, services, consultants, travel, and equipment.

All cost transfers can be divided into one of four types:

1. Timely SCT (Direct Retro)
2. Late SCT (Direct Retro)
3. Timely NSCT
4. Late NSCT

The table below summarizes the necessary documentation and steps for each of these four different types of cost transfers:

<table>
<thead>
<tr>
<th>Cost Transfer Type</th>
<th>Direct Retro / Salary Transfer Form³</th>
<th>Non-Salary Payment Transfer Request Form⁴</th>
<th>Late Transfer Justification Form⁵</th>
<th>Check for Consistency with Certified Effort⁶</th>
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<td>4. Late NSCT</td>
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The following section describes in greater detail the different types of cost transfers and their required documentation.

³ See Appendix A, or UWEX Business Services Forms
⁴ See Appendix B, or UWEX Business Services Forms
⁵ See Appendix C, or UWEX Business Services Forms
⁶ See Section 3.7 in Effort Coordinator’s Guide to Effort Certification Practices and Procedures
1. Timely Salary Cost Transfers (Direct Retros)

Description

A timely salary cost transfer is needed when a payroll expense (salary and benefits) is charged to the wrong project, and this is identified within 90 days from the end of the month when the original expense occurred. For example, a payroll error was posted on 9/30, and in the course of regular project expense review, this error was identified. Subsequently, a direct retro / salary transfer form is prepared and signed by the department prior to 12/31.

Required Documentation and Process

- Complete the Direct Retro Funding Distribution (Salary Transfer Form) (Appendix A); be sure to sign and date the form as soon as possible as that will “stop the clock” on the 90-day period.
- In the “Reason for Transfer” section, be sure to answer the following 3 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. Are the charges allowable and allocable based on the terms and conditions of the receiving award?
- If the effort statement related to the payroll expense that is being transferred has already been certified, then check to see that the certified effort is consistent with the cost transfer. If it is not, then ask the Effort Coordinator to reopen the effort statement. If the certification period for this effort statement is already closed and the effort statement has already been certified and processed, then follow the procedures in Section 3.7 Recertifying Effort in Effort Coordinator’s Guide to Effort Certification Practices and Procedures
- Submit the form and any supporting documentation to the Divisional office for review, and the Divisional office will sign and forward the form to OES.

2. Late Salary Cost Transfers (Direct Retros)

Description

A late salary cost transfer is needed when a payroll expense (salary and benefits) is charged to the wrong project, and this is identified AFTER 90 days from the end of the month when the original expense occurred. For example, a payroll error was posted on 9/30, and this error was not identified until AFTER 12/31. Subsequently, a direct retro / salary transfer form is prepared and signed by the department AFTER 12/31. This could be due to: (1) circumstances that are outside a department’s control, e.g., an IT system error, delays due to negotiations with the sponsor, or specific guidance from the sponsor allowing or directing late transfers; or, (2) project expense reviews that do not occur regularly enough and/or failed to identify improper payroll expenses. If the latter, then the department should change practices to avoid late salary cost transfers in the future.
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Required Documentation and Process

- Complete the Direct Retro Funding Distribution (Salary Transfer Form) (Appendix A).
- Complete the Justification for Late Transfers Involving Sponsored Projects Form (Appendix C).
- If the effort statement related to the payroll expense that is being transferred has already been certified, then check to see that the certified effort is consistent with the cost transfer. If it is not, then ask the Effort Coordinator to reopen the effort statement. If the certification period for this effort statement is already closed and the effort statement has already been certified and processed, then follow the procedures in Section 3.7 Recertifying Effort in Effort Coordinator’s Guide to Effort Certification Practices and Procedures.
- Submit the forms and all supporting documentation to the Divisional office for review, and the Divisional office will sign and forward the form to OES.
- If the transfer is not defensible in an audit, OES will request that the expense be transferred to a non-sponsored account.

3. Timely Non-Salary Cost Transfers

Description

A timely non-salary cost transfer is needed when a non-payroll expense, e.g., expenses for supplies, services, consultants, travel, or equipment, is charged to the wrong project, and this is identified within 90 days from the end of the month when the original expense occurred. For example, a travel expense was posted on 9/15, and in the course of regular project expense review, this error was identified. Subsequently, a non-payroll cost transfer form is prepared and signed by the department prior to 12/31.

Required Documentation and Process

- Complete the Non-Salary Payment Transfer Form (Appendix B); be sure to sign and date the form as soon as possible as that will “stop the clock” on the 90-day period.
  - In the “Reason for Transfer” section, be sure to answer the following 3 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. Are the charges allowable and allocable based on the terms and conditions of the receiving award?
- Submit the form and any supporting documentation to the Divisional office for review, and the Divisional office will sign and forward the form to OES.
4. Late Non-Salary Cost Transfers

Description

A late non-salary cost transfer is needed when an expense other than payroll is charged to the wrong project, and this is identified AFTER 90 days from the end of the month when the original expense occurred. For example, a non-payroll expense error was posted on 9/15, and this error was not identified until AFTER 12/31. Subsequently, the non-salary payment transfer request form is prepared and signed by the department AFTER 12/31. This could be due to: (1) circumstances that are outside a department’s control, e.g., an IT system error, delays due to negotiations with the sponsor, or specific guidance from the sponsor allowing or directing late transfers; or, (2) project expense reviews that do not occur regularly enough and/or failed to identify improper expenses. If the latter, then the department should change practices to avoid late non-salary cost transfers in the future.

Required Documentation and Process

• Complete the Non-Salary Payment Transfer Form (Appendix B).
• Complete the Justification for Late Transfers Involving Sponsored Projects Form (Appendix C).
• Submit the forms and all supporting documentation to the Divisional office for review, and the Divisional office will sign and forward the form to OES.
• If the transfer is not defensible in an audit, OES will request that the expense be transferred to a non-sponsored account.

IV. Assistance and Support

Both OES and the Divisional office are able to provide additional guidance on cost transfers and acceptable justifications. In the end, the purpose of this policy is to ensure that extramural funds are managed appropriately, and thus, all cost transfer documentation should be prepared with the purpose of demonstrating UW Extension’s efforts in this regard. OES and Divisional offices have a joint responsibility in ensuring that cost transfers are documented, reviewed, and approved on a consistent basis. Thus, any objective third party including an auditor should be able to understand and accept the rationale for every single cost transfer that affects sponsored projects.
Appendix A

Direct Retro Funding Distribution (Salary Transfer Form)

Employee Name:  Empl ID:  Empl Rcd#:

Position Number:  Department:  Fiscal Year:

Transfer From:

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<th>Earnings Code</th>
<th>Dept ID</th>
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Reason for Transfer (Use additional sheet if necessary. Note: If sponsored projects (133/144 Funds) are involved, please see note at the bottom)

Approvals

Preparer:  Date: mm/dd/yyyy  Divisional Representative:  Date: mm/dd/yyyy
(NOT required to sign; please include your name & the date)  (required to sign & print)

Project Director or Designee:  Date: mm/dd/yyyy  Office of Extramural Support:  Date: mm/dd/yyyy
(required to sign & print for Fund 133/144)  (required to sign & print for 133/144/161/233 Funds)

For Accounting Services Use

Direct Retro (Salary Transfer)

Number:  Entry Date:  Entered By:

Version: Jul 19, 2012

For Transfers Involving Sponsored Projects

* These transfers will be subject to UW Extension's Cost Transfer Policy for Sponsored Projects
* If the transfer involves expenditures older than 90 days, then please fill out the form "Justification for LATE Transfers Involving Sponsored Projects"

* The "Reason for Transfer" 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) Are the charges allowable and allocable based on the terms and conditions of the receiving award?
* Per federal guidelines, simply stating "clerical error" or "wrong account used" is not specific enough.
Appendix B
UNIVERSITY OF WISCONSIN-EXTENSION
NON-SALARY PAYMENT TRANSFER REQUEST
(ONE TRANSFER PER FORM)

To: UWEX Accounting Services
104 Extension Bldg

Date:

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<th>PROJ/GRANT</th>
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REASON FOR TRANSFER (Note: If sponsored projects (133/144 Funds) are involved, please see note at the bottom):

APPROVALS
Preparer (NOT required to sign) (please include your name & the date) Date Divisional Rep (required to sign & print) Date

Project Director or Designee (required to sign & print for Fund 133/144) Date Extramural Support (required to sign & print for Fund 133/144/161/233) Date

FOR ACCOUNTING SERVICES USE
JOURNAL NO. _______________ ENTRY DATE _______________ ENTERED BY ______________

For Transfers Involving Sponsored Projects
* These transfers will be subject to UW Extension's Cost Transfer Policy for Sponsored Projects
* If the transfer involves expenditures older than 90 days, then please fill out the form "Justification for LATE Transfers Involving Sponsored Projects"
* The "Reason for Transfer" 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) Are the charges allowable and allocable based on the terms and conditions of the receiving award?
* Per federal guidelines, simply stating "clerical error" or "wrong account used" is not specific enough.

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Appendix C
Justification for Late Transfers Involving Sponsored Projects

Instructions:
I. Use this form only if ALL of the following are true:
   • The transfer involves sponsored projects (133/144 Funds)
   • The transfer involves transactions that are more than 90 days old (see note at bottom)

II. Attach this form to the Non-Salary Payment Transfer Request or Direct Retro Funding Distribution Form

Note the following:
• Please remember that the primary audience for this is the auditor (not OES). The answers should be able to withstand scrutiny from internal and external auditors.
• Transfers of charges TO sponsored projects are subject to greater scrutiny.

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

The 90-day period is calculated in the following way:
1. Begin Date: the end of the month during which the original transaction was posted in WISDM.
2. End Date: the date when the transfer was prepared and signed by the preparer, project director, or divisional representative (whichever is earliest).
3. If End Date MINUS Begin Date is GREATER THAN 90 days, then the transfer is LATE.
Appendix C  
Justification for Late Transfers Involving Sponsored Projects - EXAMPLE

1. **Why was this expense originally charged to the coding from which it is now being transferred?**  
The purchasing 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 supply expenditures were required to support the ongoing outreach activities conducted during this time period. The decision to continue charging 144-XXXX was made after consulting with our Department, Division Office, and Office of Extramural Support. 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 the continuation proposal. The PD and UW Extension 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 outreach activities 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 purchasing card were used entirely to support the outreach activities 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 new sponsor award number. With the October 1 start date, all transactions are authorized under the new award as a condition of allowed preaward spending coverage. The UW Extension 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 would normally have requested a project number in advance had we known that the sponsor would award continuation funds under a new award number and start date. However, all concerned parties were continually assured that this continuation would be funded under the existing award number. Thus, the late transfers are now a result of this unexpected notification.

Completed by:  
Name        Email                  Phone

The 90-day period is calculated in the following way:  
1. Begin Date: the end of the month during which the original transaction was posted in WISDM.  
2. End Date: the date when the transfer was prepared and signed by the preparer, project director, or divisional representative ( whichever is earliest).  
3. If End Date MINUS Begin Date is GREATER THAN 90 days, then the transfer is LATE.