UW-Madison
Cost Transfers
Policies and Practice
Agenda

- Background
- What is a cost transfer?
- What are the different types of cost transfers?
- Why would I need a cost transfer?
- Why should I avoid cost transfers?
- When should I not use a cost transfer?
- How would I use the new tool for cost transfers?
- How can I avoid cost transfers?
- Questions?
UW-Madison’s Cost Transfer Policy

- Costs should be charged to the appropriate funding string when first incurred.
- Transfer for exceptions not as a practice
- The official policy can be found at both websites:
  - Research and Sponsored Programs
  - Business Services
Reasons for Policy

- Provides needed guidance for staff on allowability and process for all transfers
- The 2005 Legislative Audit Bureau report identified need for a cost transfer policy for sponsored projects
- New sponsored projects audit procedures explicitly define allowable transfer policy (site handouts).
- Compliance with federal cost principles required as condition of acceptance of federal funds
Regulations for Sponsored Projects

- OMB Circular A-21
  - Sections C.1-C.4: concepts of allowability, allocability, and reasonableness.
    [http://www.whitehouse.gov/omb/circulars_a021_2004#c](http://www.whitehouse.gov/omb/circulars_a021_2004#c)
Regulations for Sponsored Projects

- OMB Circular A-21
  [Link](http://www.whitehouse.gov/omb/circulars_a021_2004)

  - Section C.4.b: “costs...may not be shifted to other sponsored agreements 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.”
Regulations for Sponsored Projects

- OMB Circular A-110
  [http://www.whitehouse.gov/omb/circulars_a110](http://www.whitehouse.gov/omb/circulars_a110)
  - Subpart D.71: 90 days to close
    [http://www.whitehouse.gov/omb/circulars_a110#71](http://www.whitehouse.gov/omb/circulars_a110#71)

- Agency Specific Regulations
  - NIH Grants Policy Statement, “Cost Transfers, Overruns, and Accelerated and Delayed Expenditures”
  - Other agencies, see award terms and conditions.
What is a cost transfer?

- **Definition**
  - A reallocation of a posted salary or non-salary expense between established funding strings

- **Warning!**
  - Cost transfer activity can be a warning flag to external auditors especially those who review grant administration
What is a cost transfer (continued)

- Example of Acceptable Transfer
  - Correction of a clerical error
  - Reallocation of expenses where multiple accounts benefited
  - Reallocation of shared resource costs
  - Transfer of costs to divisional discretionary funds
What are different types of cost transfers?

- Salary sponsored
- Salary non-sponsored
- Non-salary sponsored
- Non-salary non-sponsored
Sponsored or Non-Sponsored Projects?

- Sponsored project
  - Administered by Business Services and RSP
  - Externally funded (except Grad School-135 projects)
  - Conditions, terms and reporting requirements (financial, effort, etc)
  - Require billing, LOC (Letter of Credit Draw)
  - Charge F&A to the project (overhead)
Sponsored or Non-Sponsored Projects?

- Non-sponsored
  - Accounting Services/Delegated units use Project Lite
  - Generally internally funded
  - No complex billing or reporting requirements
  - No effort reporting required
  - No F&A charges
  - Gifts are considered a non-sponsored project
Salary sponsored

- Involves at least one sponsored project
- Only involves salary expense codes (tuition and fringe will follow automatically)
- If this transfer occurs 90 days after the original charge posts, the 90 day justification will be required
- Requires PI approval for each sponsored project involved in transfer
- Requires Division approval for each sponsored project involved in transfer
- Requires RSP approval (allowability, effort)
Salary non-sponsored

- Only involves non-sponsored funds
- Only involves salary expense codes (tuition and fringe benefits will follow)
- Does not require PI approval
- Does not require RSP approval
- Regardless of when initial charge posted, it does not require 90 day justification
- Final approval is at the Divisional offices
Non-salary sponsored

- Involves at least one sponsored project
- Only involves non-salary expense codes
- Requires PI approval for each sponsored project involved in transfer
- Require RSP approval (allowability)
- If this transfer occurs 90 days after the original charge posts, the 90 day justification will be required
Non-salary non-sponsored

- Only involves non-sponsored funds
- Only involves non-salary expense codes
- Does not require 90 day justification
- Does not require PI approval
- Does not require RSP approval
- Final approval is at the Divisional offices
Required Details of Transfer

- Indicate why the original funding was charged and why it should be moved to the new funding
90 day justification for sponsored projects

- Why was this expense originally charged to the coding from which it is now being transferred?
- Why should the charge(s) be transferred to the proposed receiving project (i.e., how does the project benefit)?
- Why are the charges allowable and allocable based on the terms and conditions of the receiving award?
- Why is this cost being transferred more than 90 days after end of the month the transaction occurred?
- What corrective action has been taken to eliminate the need for cost transfers of this type in the future?
Why would I need a cost transfer?

- Cost transfers are for correcting errors
- Identify the problem
  - Incorrect entry
  - Over-spending
  - “Cost sharing”
- Allowability and allocability of costs must be established (sponsor guidelines, A-21)
- Costs not allocable to a project cannot be transferred to that project, even temporarily
Why would I need a cost transfer? (continued)

- **Necessary:** Original cost applied must be absolutely essential to achieve a certain result. Transfer is necessary to have this cost applied to the proper funding.

- **Reasonable:** The nature of the original cost and the subsequent transfer reflects the action that a prudent person would take under similar circumstances. “If it was published on the front page of the Wisconsin State Journal, would that be okay with you?”

- **Allocable:** A cost is allocable if goods or services involved are chargeable or assignable in accordance with the relative benefits received by the funding. In order to be allocable a cost must be treated consistently in like circumstances.

- **Consistent:** Free from variation or contradiction from standard university business practices.

- **Permissible:** Allowed under university policies and state law.
Why should I avoid cost transfers?

- Cost transfers represent a serious audit risk as federal auditors have made cost transfers a top priority!
- Impact of incorrect entry/transfer
  - Audit risk
  - Financial period
  - Delay in award closeout
  - Effort Reporting
- The burden of explaining discrepancies
Fines/Costs

- Dec 2008 Yale settles with Federal Gov ($7.6M). Audit cited questionable grant transactions & accounting practices, specifically transfer of costs to Fed awards to avoid returning unspent funds.
When should I not use a cost transfer?

- Do not use to create an internal billing
- Do not use to manage your grant balances
- Do not use to transfer fringe only
  - Exceptions may apply on sponsored projects that do not allow fringe – call your RSP accountant to determine if this exception applies to your grant
  - To look up the grant accountant
    [http://www.rsp.wisc.edu/accountantsearch.html](http://www.rsp.wisc.edu/accountantsearch.html)
- Do not use to transfer prior year GPR
  - Exceptions may apply. Call Accounting Services for exceptions at 608-262-9460
- Do not use to transfer salary account codes-send to Accounting Services
- Do not use to do salary transfer between appt ID –send to accounting serv
Do not use to process transfers using balance sheet accounts

Do not use to process transfers using revenue accounts
What Is the Cost Transfer Workflow Tool?

- It is a new web-based tool available to any campus unit needing to process salary and non-salary cost transfers, including transfers related to sponsored research projects. Some of the basic features include:
  - Eliminates the need for paper forms, printouts, and physical signatures
  - Transparent tracking of historical cost transfers as well as those in progress
  - Automated workflow approval process
  - Automated check for errors; requires a source transaction directly from WISDM and validates account coding
How would I use the new tool for sponsored?

- Roles and responsibilities
  - Preparer: Initiates cost transfer
  - 1\textsuperscript{st} approver: PI or their delegated approver
  - 2\textsuperscript{nd} approver: Division
  - 3\textsuperscript{rd} approver (if sponsored): RSP
How would I use the new tool for non-sponsored?

### Roles and responsibilities

- **Preparer:** Initiates cost transfer
- **1st approver:** Division

For Divisions that use a PI or delegate in their process the preparer will need to route to others in the process to add their approval comments but only Division approves in the tool.
How can I avoid cost transfers?

- Meet regularly with PIs and review awards
- Maintain accurate internal billing information
  - MDS/DOIT has the PAT tool
  - Purchasing card has PVS Net
  - Ensure internal billers have accurate funding string
- Be aware of any outstanding internal bills that could post to your grant
How can I avoid cost transfers?

- Review purchasing card edits each billing cycle
- Be aware of staffing appointments or changes
- HRS deadlines
  - Make funding changes before the final confirm
REMINDERS!

- Minimize cost transfers
- There are complexities involved in doing cost transfers
- Audit risk associated with doing cost transfers
- The official policy can be found at both websites:
  - Research and Sponsored Programs
  - Business Services
QUESTIONS?
APR Cost Transfer Tool Team was charged to create a modern process for Non-Salary and Salary Cost Transfers.

Following Lean Six Sigma principles –

A cross-campus team collected historical data and documented current processes. Campus interviews were conducted to arrive at a list of requirements for the development of the tool.
Cost Transfer Workflow Tool

What is it?

- A web-based cost transfer tool that will process Non-Salary and Salary Cost Transfers. For Salary Cost Transfers, this tool will process both Legacy and HRS Payroll Transactions.
- Replaces the antiquated system for creating and routing paper transfer forms.
- Replaces JET transfers for many transactions.

When will this be available?

Rollout is scheduled for May 2011.
Cost Transfer Workflow Tool - How will I use the Tool?

Features:

- No paper routing. No printing out of forms. No manual signatures.
- Significant reduction in time, completely electronic process.
- Unique Transfer number is assigned to at the time of entry for tracking the progress of the transfer and this number will be in WISDM.
- Ability to search for a transfer at any time.
- Requires a source transaction directly from WISDM – prevents initiators from entering non-existent or incorrect “from “accounting. Less manual work.
- Validation of account coding at the time of entry.
- The system automatically determines workflow for PI, Division and RSP accountant approval.
- All notifications are via e-mail – easy to monitor, along with a “user friendly” dashboard.
Cost Transfer Workflow Tool - How will I use the Tool?

- PIs automatically in approval process when their project is transferred “to” or “from”. New feature - PIs can also delegate approval responsibility.
- RSP accountant automatically has final approval for sponsored projects.
- Dashboard for users with information they need to know, such as,
  - Transfers “In Process” (Preparers)
  - Completed transfers (Preparers)
  - Transfers needing action (Applies to Division Approvers and PIs)
- Rejection process to send transfer back, with comments, to Dean’s Office or preparer, etc.
- Excellent Audit Trail - Each user can create comments and attach documentation.
- Capability for PIs and other approvers to designate a delegate for the approval process.
Cost Transfer Workflow Tool - How will I use the Tool?

- Transfer number will be available in WISDM in Journal Description
Sponsored Projects

- Workflow is based on Roles appropriate to the type of cost transfer

- Roles and responsibilities
  - Preparer: Initiates cost transfer
  - 1\textsuperscript{st} approver: PI or their delegated approver
  - 2\textsuperscript{nd} approver: Division
  - 3\textsuperscript{rd} approver (if sponsored): RSP
Non-Sponsored

Roles and responsibilities

- Preparer: Initiates cost transfer
- 1st approver: Division

For Divisions that use a PI or delegate in their process, the preparer will need to route to others in the process to add their approval comments but only Division approves in the tool.
Transfers without Projects

- **Roles**
  - Preparer: Initiates cost transfer
  - Only approver: Division
Sample E-mail notification

[Cost Transfer Tool - Test] Transfer N000000140 requires your review for approval.

Transfer requires approval from you for Principal Investigator.
Please review transfer N000000140 by following this link: https://test.wisc.edu/NN00000140.

Transfer synopsis:
Created by: NATHAN C RUSCH
Created on: 4/4/2011
Details of transfer:
Lab supplies do not belong on this sponsored project.

This is an example of the email from the Cost Transfer Tool. It contains a summary of the actions required and a link directly to the Cost Transfer Tool.

Click on the link or login to the Cost Transfer Workflow Tool Dashboard.
Log into the tool in several ways – Use what is most convenient for you

- Enter Cost Transfer Workflow Tool through e-mail notification – will require NetID Login)
- MyUW (Using NetID Login) Portal link through Services tab, Employee Financial Resources
- Through link: https://ct.wisc.edu/
Cost Transfer Workflow Tool - How will I use the Tool?

Approver Dashboard

- Main Menu
  - Create a new Non-Salary Cost Transfer: Transfer expenses from one or more funding sources to one or more different funding sources for all expenses that are not related to payroll or personnel.
  - Create a new Salary Cost Transfer: Transfer salary expenses from one or more funding sources to one or more different funding sources for all expenses related to payroll or personnel.
  - Find a Transfer: Search for an existing transfer record to find its current status, content, and view full auditable history.
  - View Cost Transfer Policies: Read about cost transfer policies and procedures.
  - View reports: View reports and stats on the use of the cost transfer tool.
  - Manage Division: View and assign staff members that are division representatives.
  - Manage RSP Accountants: Map SFS billing specialists to employee directory info.
  - Change my account preferences: Change your user account settings such as email options.
  - About: View program copyright, version, and change log information.
  - Sign Out: Quit the application.
Data entry screen makes it clear what is being transferred “From” line is pulled over from WISDM.

Users cannot change original accounting string. Original transaction can not be exceeded but can be split.
Documentation tab allows user to attach documents and add comments. This becomes part of the transfer record.
Details - Message when a transfer older than 90 days is submitted for a project. Justification is automatically required.
Documentation tab: All questions must be answered before transfer can be submitted for approvals.
Route for Assistance allows you to send the transfer to anyone for additional information. This transfers ownership of the transfer. You would not “Route” when you need approval.
Options at Approvals tab: Approve – Send Back to Preparer – Send Back to PI – Correct – Cancel.
History shows event associated with the transfer. Note – Transfer prepared at 4:21PM and all approvals done by 1:51 the next day!
Cost Transfer Workflow Tool - Posting

Non-Salary Cost Transfer

Transfer Nbr: N000000148
Preparer: JANET M LARSON
Routed to: JANET M LARSON
Details of Transfer: Test transfer supplies to Purchasing

Date of Request: 04/11/2011
Status: 4 - Completed

Transfer has been submitted to SFS.
Posting Status: In staging - waiting for SFS batch posting.
Use Change my account preferences to delegate, set e-mail, etc.
Preferences for

Adjust options pertaining to your user account.

Notifications

E-mail Address on record: `USSVC.WISC.EDU`

Send email notifications
Checking this option ensures that you will receive emails regarding specific events related to cost transfers. It is strongly recommended to keep this option on.

Send periodic email reminders
This option will send you a reminder by email periodically (after a long period of inactivity) when you have been requested to sign a cost transfer.

Save Settings

Delegation

You may delegate sign-off authority to any number of other users. These users will receive notifications and have the ability to sign on your behalf.

Add a New Delegate

Begin typing last name: 

Effective*: 

through

*You may leave effective dates blank to specify no begin or end date.
Demo

- Non Salary Cost Transfer
- Salary Cost Transfer
If you are not currently a JET JRT certified user and are required to be an approver you will need to attend this training. You can become an approver by having your Dean’s office submit the delegation form to Accounting Services.

JET access will be cut off by end of May except where certain cases apply.
QUESTIONS?