



Administration and Finance

Policy No: 3311

Policy Name:
Cost Transfers

Effective Date:
May 4, 2007

Policy:

- A. Cost transfers should be minimized. All attempts should be made to charge costs correctly with the original posting.
- B. Payroll cost transfers (budget retros and direct retros) must be processed as soon as a department is aware that an employee's activities changed or as soon as the error is recognized.
- C. Non-salary cost transfers must be processed as soon as the error is recognized.
- D. A reasonable and valid justification consistent with sponsor guidelines is required for all cost transfers affecting sponsored project chartstrings. All cost transfer documentation must be retained by the department in case of audit.
- E. All cost transfers affecting sponsored chartstrings performed after 90 days from the date of the original transaction must contain an explanation as to the delay in performing the cost transfer.
- F. Cost transfers for prior fiscal year expenditures that affect state-funded chartstrings will not be processed.
- G. Payroll cost transfers performed after the certification of effort that cause the payroll distribution to not align with the certified effort distribution are highly discouraged and require significant documentation, approval, and recertification of effort.
- H. Cost transfers charging sponsored chartstrings will not be processed after one year from the date of the original transaction.

Revision Date:

Approved by:
Lynn M. Kingsley
Marc Wasserman

Approval Date:
May 4, 2007

Refer Questions to:
Manager, Cost Analysis &
Studies
Manager, Quality Assurance

USM Board of Regent's
Policy Reference:
N/A

Definitions and Terms:

Date of Original Transaction – For nonpayroll cost transfers, the date of the original transaction for purposes of this policy is the posting date of the initial charge in eUMB financials. For payroll cost transfers, the date of the original transaction for purposes of this policy is the begin date of the initial pay period or the payroll charges being transferred.

Budget Retro – Automated process in eUMB HRMS to redistribute payroll expenses triggered by the entry of an Employee Funding Profile (EFP) with an effective date prior to the current payroll period by the department that owns the employee.

Direct Retro - Process used to redistribute payroll expenses in situations when the Budget Retro process is unable to be used. Departments complete the Direct Retro Request form indicating the specific period and specific dollar amounts to be transferred. Upon approval Financial Services payroll will enter the information into the eUMB HRMS system.

Policy Name:
Cost Transfers

Purpose:

To ensure the timely adjustment or correction of financial records and the proper documentation of those adjustments and corrections.

Scope:

A cost transfer is the movement of costs from one chartstring to another to correct an error or to align payroll distribution with after-the-fact effort certifications. All attempts should be made to charge costs correctly with the original posting. However, when cost transfers are necessary, they must be adequately documented and performed timely. Nonpayroll cost transfers are accomplished through a journal entry. Payroll cost transfers are accomplished through a budget retro or a direct retro in the HRMS system.

This policy applies only to the transfer of expenses, not revenues or other account types. This policy also does not apply to internal billings where one department or unit is supplying goods or services to another department or unit.

Procedures:

- A. All cost transfers should contain an explanation as to why the cost transfer is necessary. If the cost transfer is necessary to correct an error, the explanation must fully explain how the error occurred. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient.
- B. All cost transfers affecting sponsored chartstrings that are occurring more than 90 days from the original charge being corrected must also contain an explanation as to why the error was not discovered and corrected in a timelier manner.
- C. Nonpayroll cost transfers are performed using a journal entry. Journal entries may be initiated in eUMB by anyone with a Department Journal Initiator role. If the journal involves more than one department, the department whose chartstring is being charged should initiate the journal entry. A User Productivity Kit (UPK) is available on the campus portal to demonstrate how to perform a journal entry. Once submitted, all journal entries are approved by Quality Assurance.
- D. Payroll cost transfers performed within 90 days of the original transaction are performed using a budget retro or a direct retro. It is preferable to use a budget retro as once a direct retro is performed for an individual, a budget retro cannot be subsequently performed for that individual for that period or any period prior. For training and/or questions about the budget retro process, please contact Financial Services – Payroll.

Payroll cost transfers performed after 90 days of the original transaction must be performed using a direct retro.

1. Payroll cost transfers using a direct retro:
 - a. Complete a direct retro request form.
 - b. Attach an eUMB Payroll Charges Detail Report (PCD) by accounting period through the end of the current fiscal year (20XX-12).

Policy Name:
Cost Transfers

- c. Review a PCD for pay period(s) entered on the direct retro request to ensure that there was sufficient salary paid to that individual on the chartstring being credited for the period being transferred.
 - d. If the form affects sponsored chartstrings, the Principal Investigator (PI) of the sponsored chartstring affected must sign the direct retro request form. If more than one sponsored chartstring is affected, the PI of the chartstring being charged must sign the direct retro request form.
 - e. Send the completed form and PCD report to Cost Analysis and Studies for review and approval.
 - f. Redistribution for charges crossing a fiscal year (if allowable) must be submitted on separate direct retro forms for each fiscal year.
- E. Only one payroll cost transfer (budget retro or direct retro) can be processed each pay period. If a direct retro is currently in the process of being routed/approved/entered, a budget retro should not be initiated. Doing so would delay the posting of the direct retro until the next pay period.
- F. Payroll cost transfers charging a sponsored chartstring that cause payroll distribution to differ from a previously certified and closed effort form are highly discouraged. They must be appropriately documented as described above but must also be accompanied by a request to have the effort form recertified. This request must describe in detail the error in the original certification and be signed by the Principal Investigator on the award being charged. The effort form must be recertified by the same individual who certified the original form.
- G. No cost transfers moving costs onto a sponsored chartstring will be allowed if performed more than one year past the date of the original transaction.
- H. Cost transfers moving costs off of a sponsored chartstring will always be allowed, but must be performed and documented according to the procedures above.

Responsibilities:

- A. Principal Investigators are responsible for:
 - 1. Reviewing the charges on their awards in order to timely identify errors.
 - 2. Communicating with their department administrators in order to facilitate the appropriate charging of original costs.
 - 3. Signing all cost transfers greater than 90 days old that affect their projects.
- B. School based Department Administrators are responsible for:
 - 1. Reviewing the charges on their projects to ensure the timely detection and correction of errors.
 - 2. Appropriately requesting and documenting cost transfers.
- C. Financial Services is responsible for:
 - 1. Reviewing and approving nonpayroll cost transfers.
 - 2. Reviewing and processing payroll cost transfers using direct retros.
- D. Cost Analysis and Studies is responsible for:
 - 1. Reviewing and approving payroll cost transfers performed using direct retros.
 - 2. Reviewing, approving and facilitating the recertification of effort forms.

Policy No:

Policy Name: Cost Transfers

Policy No: 3311

Policy Name:
Cost Transfers

Restrictions and Exclusions:
N/A

Related/Impacted Policies:
Effort Reporting

Sample Forms:
Direct Retro Request Form (see FSPR website)
<http://www.fincsvc.umaryland.edu/payroll/forms.cfm>