Introduction

In light of the new University policy to return in full the fringe benefits that accompany faculty academic year salary directly charged to sponsored projects, there has been a flurry of activity to meet the December 1, 2010 deadline to stop using SDAs and the December 31, 2010 deadline for setting up the rest of the year’s direct charging transactions in HRIS. As a result, an FAQ document has been developed to address some of the common questions that faculty and staff may have about this new Direct Charging incentive policy.

Frequently Asked Questions

Here are answers to some questions that may be asked about the FY 2011 Direct Charging incentive process and guidelines.

#1 What is Direct Charging?

There are two mechanisms of charging faculty salaries to sponsored projects - Direct Charging and SDAs (Salary Distribution Adjustment). Using the Direct Charging mechanism, sponsored projects are established as funding sources for salaries in HRIS. Salary amounts charged directly to sponsored projects eliminate an equal amount of salary spending by the School or Department. As with the SDA process, there is a special spreadsheet that helps with the necessary calculations. (This spreadsheet is a particularly useful tool in those cases where the PI intends to charge faculty salaries to multiple sponsored projects.)

#2 What is an SDA?

Using the SDA (Salary Distribution Adjustment) to charge salaries to sponsored projects requires the School or Department to first pay the full salary and benefits of the PI from a non-sponsored chartstring and to then process an SDA in order to recoup the expense from the sponsored project.

#3 What is the new Direct Charging incentive policy?

Departments that (within the limited exemptions presented below) use the Direct Charging mechanism every time they charge faculty salaries to sponsored projects will have money equal to the benefits charged to the sponsored projects returned to the Schools as released funds. (Please note that each School has its own timing and processes for the distribution of released funds.)
• To be eligible for the return of the benefits charges, beginning December 1, 2010 all faculty salary charges to sponsored projects would need to be performed by Direct Charging in HRIS and not by SDAs. By December 31, 2010, the known entries for the rest of FY 2011 should be set up in HRIS. SDA’s submitted prior to December 1, 2010 would be acceptable even if they impact periods after November 30. (Please note these deadlines are only valid for FY 2011. In FY 2012, the policy may vary in detail and the deadlines will be different.)

• Changes may certainly be made in HRIS after December 31, 2010 to accommodate changes in financial conditions, research conditions, or sponsored projects. However, known or expected salary charging for the remainder of FY 2011 should be set up in HRIS by December 31.

• Direct Charging is not required where university policy specifically requires the use of SDAs such as the case where 75% or more of a PI’s salary will be charged to sponsored projects.

• Departments must be certified by their School as being 100% in compliance with this policy.

• Schools must request special exemptions from the Budget Office.

#4 Why is Direct Charging important to the University?

Direct Charging is Better for Regulatory Compliance
Direct Charging will help to avoid regulatory compliance issues. First, the direct charging process acts as a verification mechanism to increase confidence that NU is charging sponsored projects for the correct amount of effort. Second, the timing and mechanism of direct charging creates better matching of data between salaries and research effort. Together these changes help prevent audit issues and provide documentation in the case of a government audit.

The Current SDA Process Distorts the University’s Internal Management Accounting
Within the NU management accounting system, the current SDA process creates unnecessary transactions that make it difficult to understand the true financial needs of the Schools and Departments.

#5 What is the new benefit to faculty who Direct Charge?

• For faculty within qualifying Departments, 100 percent of the sponsored project associated fringe benefits will be returned to the Schools as released funds. This money will be distributed according to each School’s released funds timing and processes.

• Salaries charged to sponsored projects via HRIS will show up as encumbrances in “grant related” related financial statements and will facilitate financial planning.

#6 I have already completed an SDA for the whole year, can I still qualify for Direct Charging?

• Yes, if the SDA was submitted before December 1, 2010 then the SDA counts as compliant with this initiative and if the Direct Charging mechanism is utilized after December 1, 2010 for any subsequent processing of academic released funds.
Additionally, the entire Department must participate to the extent that the School deems them eligible.

#7 I recently submitted an SDA (on or after the December 1, 2010), what can I do to qualify for Direct Charging?
- In order for your Department to qualify for the return of the fringe benefits, the SDA must be reversed by the Payroll Office and the Direct Charging mechanism needs to be used. If you prefer to continue to use SDA’s throughout FY11 that is acceptable, however, you need to understand that the fringe benefits for your Department will be retained by the Budget Office and not returned to the Schools.

#8 Will I lose my ability to change funding once committed via Direct Charging?
- No. You, as the PI, have the ability to change funding as frequently as you see fit. Entries made in HRIS for future periods act as forecasts until the actual pay period. If conditions change, entries may be made in HRIS to adjust the funding to the PI’s needs.

#9 What is the process for Direct Charging?
- Schools and Departments identify which faculty qualify for direct charging
- Departments work with faculty to identify percentage of academic year salary to commit
- Departments may complete the direct charging spreadsheet. This spreadsheet is particularly useful where a PI has multiple appointments and where a PI will charge faculty salaries to more than one sponsored project. Nevertheless, use of the spreadsheet is not a requirement and it does not need to be submitted to any Central office. (Individual Schools may establish their own internal requirements.)
- The Evanston direct charging spreadsheet is called Salary Planning FY2011 Evanston. It is posted on the ASRSP’s effort reporting site, under “Evanston Direct Charging Tool” link: [http://www.northwestern.edu/asrsp/effort.html](http://www.northwestern.edu/asrsp/effort.html)
- Schools or Departments enter the new salary funding distribution data within HRIS for the relevant faculty members. (Please note each School may have its own process for who may execute this entry, but in many cases it will be the Department Assistant.)

#10 What is the process for Schools to receive benefit reimbursements from the new Direct Charging incentive policy?
- Schools submit a list of the Departments that they believe are in compliance and which want to pursue direct charging by remaining in compliance for the rest of the year
- Schools submit a list of the SDA’s for each of the related Departments and an acceptable explanation for the cause of the SDA (e.g., before December 1, 2010 and >75% effort)
- The Budget Office calculates and executes the initial distributions to the Schools based on the total benefits from both the existing SDA’s and the direct charging established in HRIS. The Budget Office will then distribute the benefits to the Schools. (Please note each School has its own timing and processes for distributing released funds.)

If you have further questions, please do not hesitate to contact your School or Department administrator or Roger Fried from the Office of Budget and Planning. (847.467.2343).