

**FY 2012 Direct Charging Incentive Policy**  
**Applicable to Faculty Salaries Direct Charged by**  
**Centralized Schools and Units**

Version 1.0 (8/10/11)

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## General Policy

It is the policy of the University to encourage the use of the “direct charging<sup>1</sup>” mechanism when charging faculty salaries to sponsored projects in place of the older SDA (Salary Distribution Adjustment) process. To that end, the centralized Schools<sup>2</sup> and units will receive incentive funds from the Central budget based on the compliance of their individual departments with this policy. Each School will receive funds equal to the PI benefits charged to sponsored projects within each of their departments that “qualify” under this program. (Units such as the IPR will be considered as a whole without department subdivisions). If some departments within a School choose to opt out of this incentive program this will not prevent other departments within a School from qualifying for the incentive program, but the School will receive funding based only on those departments that do qualify.

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<sup>1</sup> Direct charging in this document is defined as entering transactions against a grant into HRIS in advance of the actual effort expended on the grant. Ideally, the majority of the HRIS transactions would be established at the start of the fiscal year, but it is understood that changes may be made throughout the year as effort or salary assumptions change.

<sup>2</sup> The centralized schools exclude Feinberg, Kellogg, and Law. In the case of direct charging policy, Feinberg, Kellogg, and Law have their own policies and programs.

To qualify, departments must use the direct charging mechanism in HRIS every time that they charge faculty salaries to sponsored projects or they must use a mixture of direct charging and those SDA transactions that are allowed under this policy. (Please see “Allowable SDA Transactions” below.)

To receive incentive funds from the Central budget, Schools must submit to the Budget Office a spreadsheet containing a list of their departments that they believe are in compliance with this policy. This list must include the names of faculty members and should indicate those cases where SDA transactions were used and should indicate why these transactions are allowable under this policy.

### **Allowable SDA Transactions**

Use of SDA transactions for faculty salary charging to grants is acceptable in those cases in which other University systems and policies either require an SDA transaction or when use of the direct charging process could cause significant difficulty in matching the timing and amount of salary charges to actual effort on grants.

There are two specific circumstances that are currently understood as being allowable SDA transactions:

First, the SDA mechanism is required in those cases in which 75% or more of a PI’s planned or actual salary is to be charged to grants.

Second, in the case of a joint appointment between Feinberg and an Evanston School it is understood that the template currently used for planning and calculating PI salary charges has limited ability to accommodate the differences between the academic term schedules of Feinberg and the schools in Evanston. Under these circumstances it is acceptable to use SDA transactions when this limitation could lead to errors in properly matching effort with salary charging.

### **Grandfathered SDA Transactions**

In FY 2011, the previous version of this Direct Charging Incentive Policy was implemented mid-year and the policy allowed SDA transactions submitted before November 30, 2010 to be classified as permitted transactions. This FY 2012 policy will take effect at the beginning of FY 2012, therefore the only SDA transactions that will be allowed under the terms of this policy are those described in the preceding section.

## **Timing of Salary Charging to Grants**

While the FY 2012 policy currently does not prescribe the timing of direct charging of faculty salary, it is expected that PI salary charging would be planned to the extent possible in advance of actual effort for the fiscal year and that this foundation would be established in HRIS prior to the start of the new fiscal year or as soon as possible thereafter. It is also understood that adjustments to funding in HRIS will be made in a timely fashion as dictated by changes in grant support and effort. There is no limit to the frequency or number of adjustments to funding in HRIS.

Similarly, it is expected that in those circumstances in which salary charging through SDA transactions is allowable that these SDA transactions will be planned and submitted in a timely fashion.

## **Frequently Asked Questions**

Here are answers to some questions that may be asked about the FY 2012 Direct Charging incentive process and guidelines.

### ***#1 What is Direct Charging?***

There are two mechanisms for charging faculty salaries to sponsored projects: (1) direct charging of salaries through data entry directly into HRIS and subsequent online approvals, and (2) submission of approved Salary Distribution Adjustment (SDA) forms to HR for entry (or ASRSP if over 90 days) into HRIS by HR staff. With the direct charging mechanism administrators enter salary funding from sponsored projects directly into HRIS by entering the appropriate sponsored project chartstring and percent of base academic salary to be charged to the sponsored project during a defined period of time. The proportion of salary to be charged to the sponsored project is defined in the project detail budget. The salary support charged to School or departmental non-sponsored chartstrings is adjusted downward by an amount equal to the total support from sponsored projects. A job aid is available (<http://www.northwestern.edu/asrsp/effort.html>) to help with the necessary calculations. This spreadsheet is a particularly useful tool in those cases in which faculty salary is being charged to multiple sponsored projects.

### ***#2 What is an SDA?***

Using a Salary Distribution Adjustment (SDA) form to charge salaries to sponsored projects requires that the School or Department initially pay full investigator salary and benefits from

a non-sponsored chartstring which is later corrected following the approval and entry of SDA data into HRIS. This mechanism of salary charging often results in less than optimal salary recovery from sponsored projects and unduly restricts School and Departmental budgets.

### ***#3 Why is Direct Charging important to the University?***

#### **Direct Charging Enhances Northwestern's Regulatory Compliance**

Use of the direct charging mechanism for charging investigator salaries to sponsored projects enables Northwestern to better comply with federal regulations. First, the direct charging process provides transparent verification of effort charged to sponsored projects which increases federal regulatory confidence that NU is charging sponsored projects for the correct amount of effort. Second, the timing and mechanism of direct charging enables better matching of salary history in HRIS and research effort reporting (ERS). Together these changes increase transparency and provide documentation of Northwestern compliance efforts and reduce potential compliance issues in the case of a government audit.

**The Current SDA Process distorts reports on the financial status of Schools and Departments.** The lag incurred by the use of SDAs to adjust salary funding distorts Cognos reports on departmental and school funds making it difficult to understand the true financial position of the Schools and Departments.

### ***#4 What new benefits do faculty and departments obtain from using the Direct Charging mechanism?***

- For faculty within qualifying departments, 100 percent of the fringe benefits associated with the direct charging of salaries to sponsored projects will be returned to their School. The Schools in turn will distribute these funds as released funds, in accord with the School's policies regarding released funds.
- Salaries charged to sponsored projects via HRIS will appear as encumbrances in sponsored research Cognos reports and will enhance grants management by faculty and administrators by facilitating accurate and timely expenditure projections.

### ***#5 Will I lose the ability to make changes on funding attributions once funding is entered into HRIS?***

- No. Investigators retain the ability to request changes in salary charging as permitted under the terms and conditions of grant awards. Salary funding entries entered into HRIS for future pay periods are only encumbered, not expensed, until the actual pay period at which time the actual expense is charged to the project. If conditions change, funding entries may be altered in HRIS to match changing needs.

### ***#6 What is the process for direct charging faculty salaries?***

- Schools and Departments identify which faculty salaries are eligible for the direct charging mechanism.
- Departments work with their faculty to identify the appropriate percentage of academic year salary to commit to each sponsored project in accordance with commitments described in the notice of award from sponsoring agencies.
- Departments may choose to complete the direct charging spreadsheet to calculate faculty salary distributions prior to entering the data in HRIS. This spreadsheet is particularly useful when an investigator has multiple appointments and/or when an investigator charges salary to more than one sponsored project. However, use of the spreadsheet is not required and it does not need to be submitted to any Central office for approval of direct charging. Individual Schools may, however, establish their own internal requirements.
- The Evanston direct charging spreadsheet is posted on ASRSP's effort reporting site, under "Evanston Direct Charging Tool" link:  
<http://www.northwestern.edu/asrsp/secure-docs/effort.html?sunwMethod=GET>
- Schools or Departments enter the new salary funding distribution data within HRIS for the relevant faculty members. *(Please note each School and/or Department determines which departmental staff are responsible for charging faculty salaries.)*

***#7 How do Schools apply to receive benefit reimbursements based on the Direct Charging incentive policy?***

- There are several requirements that must be fulfilled in order for Schools to receive benefit reimbursements under the incentive plan: (1) Schools must submit a list to the Budget Office of the departments that are in compliance with the Direct Charging Policy and which departments plan to pursue direct charging for the remainder of the fiscal year; and (2) Schools must submit a list of the SDA's for each of the related departments and a reference to which of the allowable uses of SDA described in this policy are applicable.
- The Budget Office will calculate and execute the initial distributions to the Schools based on the total fringe benefits associated with salaries charged to existing SDA's and salaries directly charged in HRIS. The Budget Office will then distribute the funding 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).