Dos & Don’ts: Over 90 Day Salary Cost Transfer Memos with Certified Effort Reports (Things you should know before completing an over 90-day Journal Memo)

Salary cost transfers (journals) are designed for correcting errors based on actual effort performed during the reported period. Effort Drives Payroll Distribution (never vice versa): the basis for salary cost transfers (journals) must be based on the actual effort performed on specific projects and activities during the reported period.

DON’T - Unacceptable Reasons for Salary Cost Transfers onto Sponsored Projects:

1. “To match effort to payroll” – Effort should not be recertified solely to put through charges on sponsored projects; this goes against the principle that Effort drives Payroll Distribution. No changes should be made to certified effort except to correct errors, i.e. so that the certified report reflects the actual work performed.
2. “To clear suspense” – If clearing suspense onto sponsored projects, clear correlation must be drawn between the requested charges and actual effort performed. Stating only “to clear suspense” is not sufficient justification for charging the salary to sponsored accounts.
3. “To spend down the balance” / “To match the budget” – cost transfers should not be used to manage available cash balances across sponsored projects. Knowingly charging expenses allocable to one sponsored project to a different sponsored project (“parking charges”) is not acceptable.
4. “To match the salary plan” – Actual effort in a given quarter may differ from the original plan, so salary plan should not be the sole determinant for a retroactive cost transfer. The certified effort, which may differ from salary plan and/or payroll charges, should be the basis for review.
5. “To meet the commitment” – Charging salary is not the same as meeting commitments. Commitments are met via actual effort performed, regardless of how salary was distributed.

DO - Best Practices:

1. When justifying a requested cost transfer, be specific and precise: vague, generic, and “boilerplate” answers and explanations are not acceptable.
2. Adhere to the four guiding cost principles: reasonableness, allocability, allowability, and consistency. For a given cost (including salary) to be charged to a sponsored agreement, all four criteria must be met.
3. If it is known that effort is occurring on a sponsored project but the final agreement is pending, obtain a prepending chart string from OSR if possible. If not, salary can be charged to a non-sponsored chart string and certified in the “notes” field of the effort report. Planning to recertify later is not appropriate — it implies a proper management approach was not taken.
4. Effort 101 training is recommended for employees who work with sponsored payroll / preparation of salary cost transfer journals.

References:

1. A cost transfer is defined as the reassignment of a payroll expense from one chart string to another.
2. Effort is expressed as a percentage of time, in proportion to the total activities, spent on a sponsored project or university compensated activity during that reported period. Effort Certification is the approach taken by NU to fulfill the Federal requirements.
3. For more information regarding Effort, see: http://www.northwestern.edu/coststudies/effort.html