90 Day Rule Policy

The 90 day policy calls for the posting of expenditures and other costs within 90 days of their occurrence. Posting these costs after 90 days of their occurrence will be permitted only on an exceptional basis, and with detailed justification that explains the error and/or delay in posting and supports the accuracy of the proposed assignment of costs.

This Q&A document has been prepared to clarify the rationale and scope of the policy.

Why is the time period 90 days?

Ninety (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper account and function. It is not a standard established by regulation or law. Rather, it is based upon a practical standard that it is reasonable to expect that costs can be properly assigned within 3 months of their occurrence.

The preferred practice is to have costs immediately budgeted and posted to their proper function in all cases. However, it is acknowledged, particularly in a university setting, where multiple sources of funding support program objectives, that it is sometimes necessary to assign costs to a function, and then properly post the costs to other functions after the fact. Again, it is reasonable to take this action within 90 days.

Is this standard applicable to all sources of University funds?

Yes, the 90 day standard is being applied to all sources of University funds. It is not solely applicable to federal funds. It is being applied to general appropriated funds, gift, endowed, designated, and any other special project funds. The reason is that it is important for the University as a whole to record its costs (and revenues) in a timely fashion. The accuracy and audibility of its records are improved when postings are made in a timely manner.

Is this standard applicable to all University service centers?

Yes, this standard is applicable to all University service centers or any departmentally based service or recharge activity.

Is this standard applicable to payroll adjustments?

Yes, this standard is applicable to payroll expenditures and associated adjustments. It is especially important that to the maximum possible extent, payroll expenditures are budgeted and recorded on the proper accounts contemporaneously with their occurrence.

Retroactive payroll adjustments cannot be made that change the tax treatment of previous payments unless the change is required to correct a documented error that was truly a mistake; not simply a change in the description of facts and circumstances applied retroactively.

How should payroll expenditures assigned to sponsored projects be coordinated with released funds processes?

Historically departments have linked their salary distribution adjustments (SDA) with their released funds requests. These processes should be administered independently. Salary postings to sponsored awards should be made directly on the award at the time the budget is established and not more than 90 days of the occurrence of the salary expense.

Processing of released funds transfers is an intra-University funding allocation process that must take place after the proper allocation of salaries to sponsored awards, and recognition of salary credits in appropriated accounts. These requests should be processed no later than June 1 of each year. However, the underlying assignment to sponsored projects must be made within 90 days of occurrence.

Does this guideline apply to subcontracts?

Yes, the guideline applies to all subcontract agreements. The guideline is applied when the University is an issuer of a subcontract and when it is the recipient of a subcontract. It is recognized that executing subcontract agreements with other institutions often requires additional time that may extend beyond a 90-day time period. However, because the vast majority of subcontracts involve federally sourced funds, it is critical that the subcontracts are executed as promptly as possible so that expenditures can be accurately recorded.

- ***Subcontracts issued by Northwestern:***

  The Office of Sponsored Research (OSR) prepares and endorses subcontracts on sponsored projects. Once an award is received that involves collaborators at other institutions, it is important to verify with OSR that all of the necessary documentation is in place and to authorize preparation of the subcontract. If the awarded amount is less than the proposed amount, a revised budget may need to be prepared.

- ***Subcontracts to Northwestern:***

  If it is expected that a subcontract to Northwestern will require an unusual amount of time to execute, then a formal pre-spending account should be established with OSR. It is not acceptable to incur expenditures on behalf of subcontract activity for an extended length of time on another source of funds and then transfer the expenses to the subcontract once it is received.

OSR should be informed immediately if there are extenuating circumstances in any subcontract activity, so that the nature and expected time of delay can be properly recorded for purposes of audit review.

How should legitimate expenditures be recorded if necessary to be incurred before a sponsored project is established?

OSR can assist a department in establishing appropriate pre-spending mechanisms that associate the expenditures with the pending award. It is not appropriate to use a generic departmental account and move expenses to the funded award beyond 90 days.

What if a vendor doesn't provide an invoice for services rendered within 90 days?

Although rare, this circumstance can occur. The University cannot pay for services for which it has not been invoiced. If a vendor invoices later than 90 days after the provision of services, the University will pay upon receipt and note for the record that the invoice was late.

What if a department is disputing an invoice with a vendor and the dispute extends beyond 90 days?

The dispute should be clearly documented between a department and the vendor. The University has an obligation to timely notify vendors if goods and services are not satisfactory and to timely pursue resolution of outstanding issues. Delays due to the normal course of other business intervening, change in personnel or other departmentally based factors are not acceptable reasons for delaying posting of expenditures.

Are personal reimbursements subject to the 90 day rule?

Yes, personal reimbursements are subject to the 90 day rule. It is entirely reasonable to expect that employees with travel expenses or miscellaneous reimbursements can account for those expenses within 90 days of their return to campus.

In cases of extended foreign travel that may extend for periods longer than 90 days, reimbursements can be made at the conclusion of the trip.

All personal reimbursements should be settled prior to the conclusion of the University's fiscal year. Reimbursements for expenditures occurring in prior fiscal periods will not be honored.

How do you define occurrence?

An expense occurs when services are either provided (e.g. payroll) or received, or when goods are acquired and consumed. The date of this activity is the date of occurrence.