

Northwestern

Introduction to Salary Cost Transfers on Sponsored Projects



Welcome to the desktop mini course, Introduction to Salary Cost Transfers.

Course Topics

- When you have completed this mini course, you will be able to answer the following questions:
 - What are salary cost transfers?
 - When is a salary cost transfer appropriate on a sponsored project?
 - During what time frames are salary cost transfers allowed?
 - What if an unallowable cost transfer is made?
 - Where can I learn more?



Narration:

The following questions related to salary cost transfers between sponsored projects are addressed in this course:

- First - What is a salary cost transfer? Salary cost transfers on sponsored projects are defined.
- Next – When is a salary cost transfer appropriate? Understand the situations when salary cost transfers are allowable and when they are not.
- Then – During what time frames are salary cost transfers allowed? Learn about Northwestern best practices, federal regulations and how salary cost transfers relate to the effort certification process.
- If, however, an unallowable salary cost transfer is made, what are the potential consequences?
- Finally, you will be directed to resources where you can learn more about salary cost transfers and find answers to any questions you may have.

Salary Cost Transfers Defined

- A salary cost transfer is the re-assignment of a payroll expense from one chartstring to another
- This course focuses on the transfer of payroll expense to a sponsored project chartstring that was initially recorded in any other chartstring
- Cost transfers are designed only to correct errors



Narration:

A salary cost transfer is the re-assignment of a payroll expense from one chartstring to another

This course focuses on the transfer of payroll expense to a sponsored project chartstring that was initially recorded in any other chartstring

Cost transfers are designed only to correct errors

Policy: Salary Cost Transfers

- Payroll expense must be charged to the sponsored project for which the associated effort was expended
- The integrity of each sponsored project and its associated expenses must be maintained
 - Sponsored project funds are not interchangeable
 - Cost transfers to manage available cash balances across sponsored projects are not allowable



Narration:

Payroll expense must be charged to the sponsored project for which the associated effort was expended. If payroll expense was recorded under the wrong sponsored project, a salary cost transfer is used to move the expense to the correct sponsored project, the project for which the effort was expended.

In order to maintain the integrity of each sponsored project, expenses must be recorded under the project for which they were incurred. Sponsored project funds are not interchangeable. Salary charges may not be allocated to any other sponsored project than the one for which they were incurred, even on a temporary basis. Salary cost transfers must not be used to manage available cash balances across sponsored projects.

Now let's look at several scenarios where a salary cost transfer would be appropriate and allowable.

Scenario 1: Allowable Cost Transfer

- The payroll expense was recorded under the wrong sponsored project (A)
 - Transfer the payroll expense to the correct sponsored project (B)

Sponsored Project A

Payroll
Expense

Sponsored Project B

Payroll
Expense



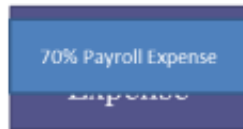
Narration:

In this illustration, a payroll expense was initially recorded under Sponsored Project A in error, but then removed from Sponsored Project A, and recorded under Sponsored Project B, the sponsored project for which the associated effort was actually expended. This is an appropriate use of a salary cost transfer.

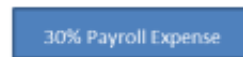
Scenario 2: Allowable Cost Transfer

- A payroll expense was erroneously recorded under a single sponsored project (C), but should have been allocated across two sponsored projects (C and D).
 - Transfer the appropriate percentage of the payroll expense to each of the sponsored projects (C and D), based on associated effort expended.

Sponsored Project C



Sponsored Project D



Narration:

In this next illustration, 100% of a payroll expense was initially recorded under Sponsored Project C. This was an error. Only 70% of the payroll expense should have been charged to Sponsored Project C; the remaining 30% should have been charged to Sponsored Project D.

The portion of the expense that was erroneously recorded under Sponsored Project C, in this case 30% of the expense, must be removed from Sponsored Project C, and charged to Sponsored Project D. The percentages reflect the portions of the actual effort expended on each project. This is an appropriate use of a salary cost transfer.

Scenario 3: Allowable Cost Transfer

- A payroll expense was erroneously allocated across two sponsored projects (X and Y), but should have been recorded under a single sponsored project (Y)
 - Transfer the full payroll expense to the sponsored project for which the associated effort was expended (Y)

Sponsored Project X

60% Payroll Expense

Sponsored Project Y

Payroll Expense



Narration:

In this last illustration, a payroll expense was initially split between Sponsored Project X, 60%, and Sponsored Project Y, 40%. This was an error. 100% of the expense should have been recorded under Project Y. To correct the error, a salary cost transfer was used to remove the expense from Project X and record 100% of the expense under Project Y where all of the associated effort was expended. This is an appropriate use of a salary cost transfer.

Unallowable Salary Cost Transfers

- Per federal government guidance, outlined in OMB Circular A-21, "Cost Principles for Educational Institutions," transfer of salary expenses on sponsored projects for the following reasons are not allowed:
 - To meet deficiencies caused by overruns or other fund considerations
 - To avoid restrictions imposed by law or by terms of the sponsored agreement
 - For other reasons of convenience



Narration:

Cost transfer regulations for federal awards are outlined in Circular A-21 "Cost Principles for Educational Institutions" from the federal government agency, the Office of Management and Budget or OMB. Northwestern ordinarily extends these requirements to all sponsored projects, regardless of the sponsor.

The gist of the policy covering salary cost transfers is that salary costs must be charged to the individual sponsored projects for which the effort was expended. Salary costs may not be shifted to other sponsored projects for any reason including the following:

- To meet deficiencies caused by overruns or other fund considerations
- To avoid restrictions imposed by law or by terms of the sponsored agreement, or
- For other reasons of convenience

Remember that the only valid reason for a salary cost transfer from one sponsored project to another is to correct an error.

Cost Transfer Time Frames

Time Frame	Allowable?	Special Requirements
Prior to quarterly effort certification	Yes-Best practice	
Within 90 days	Yes-Federal deadline	<ul style="list-style-type: none"> • Submit the cost transfer in MyHR • May require review • If the effort report is available, complete certification
After 90 days but within 1 year	With ASRSP and Effort Team approval only	<ul style="list-style-type: none"> • Submit a completed 90 Day Rule Justification Memo • PI must sign • ASRSP must review and approve • Effort Team must review and approve
After 1 year	Generally not unless it is crediting sponsored projects	<ul style="list-style-type: none"> • Submit a completed 90 Day Rule Justification Memo • PI must sign • ASRSP must review and approve • Effort Team must review and approve



Narration:

If a salary cost transfer is required to correct an error, it is best to process it prior to the next quarterly effort certification process. If the salary cost transfer is completed before the associated effort report is generated, the report will show correct payroll totals when released, reducing administrator and certifier confusion.

However, if the error is not found until after the effort report is released, the cost transfer may be submitted online in MyHR within 90 days of the original date the salary expense was recorded. This may require effort review and/or correction, but the time frame meets federal guidelines. Note that effort should not be updated unless the certifier confirms the original certification is inaccurate per actual effort expended. If corrections to certified effort are needed, these should be completed as soon as possible.

Salary cost transfers after 90 days are strongly discouraged. But, if necessary, paper salary cost transfer requests may be submitted with the completed 90 Day Rule Justification Memo, the signature of the Principal Investigator, and certified effort report(s) supporting the transfer. These requests will be reviewed by your School/Dean's office, ASRSP, and the Effort Team, and they will only be processed if approved by all units. Salary cost transfers submitted beyond 1 year from the when the salary expense was originally recorded will rarely be approved.

Late Salary Cost Transfers

- Required Documentation:
 - Journal Entry Form
 - A complete 90 Day Rule Justification
 - PI review and signature
 - Certified Effort Report(s)
 - A print out of the Position Data Form from FASIS (MyHR) after the funding source has been updated
 - A print out of the Paycheck Distribution screen from FASIS (MyHR) that shows the original expense



Narration:

Late salary cost transfer requests, submitted more than 90 days beyond when the original payroll expense was recorded, require approval by the Accounting for Research and Sponsored Programs department, ASRSP. A late salary cost transfer will only be considered if it is accompanied by:

Journal Entry Form

A complete 90 Day Rule Justification

PI review and signature

Certified Effort Report(s)

A print out of the Position Data Form from FASIS (MyHR) after the funding source has been updated

A print out of the Paycheck Distribution screen from FASIS (MyHR) that shows the original expense

The paperwork should be reviewed by your School/Dean's office and then sent directly to the payroll office. The payroll office will do an initial completeness review and then route to ASRSP and the Effort Team for review of policy compliance and appropriateness. Only requests approved by both ASRSP and the Effort Team will be processed.

90 Day Rule Justification

- Be prepared to answer the following questions when completing the 90 Day Rule Justification:
 1. Why was this expense originally charged to the chart string from which it is now being transferred?
 2. Why should this charge be transferred/posted to the proposed receiving chart string?
 3. Why is this cost transfer/posting being requested more than 90 calendar days after the date of transaction?
 4. What action is needed to eliminate the future need for cost transfers/postings of this type?
 5. Have you certified effort for the quarter in which the transfer/charge occurs?



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Narration:

Northwestern requires that salary cost transfers be fully documented. The questions on the 90 Day Rule Justification Form are designed to capture the information needed in the event of an audit. Please answer the questions thoroughly and

Your complete and accurate documentation will help expedite processing of the transaction and will also provide backup detail needed in the event of an audit.

Transfers within 90 Days

- Transfers made within 90 days of the original date of the salary expense are also salary cost transfers
- Policies and regulations apply to all salary cost transfers regardless of the timeframe
- Salary cost transfers within 90 days are made online in MyHR and do not require the 90-day justification form



Transfers made within 90 days of the original date the salary expense was recorded are also considered salary cost transfer. Although these transfers are made online in MyHR and do not require the 90-day justification form, the policies and regulations apply to all salary cost transfers regardless of the timeframe.

Failure to Comply

- Potential consequences include:
 - Sponsor audit of the project
 - Damage to University and PI reputations
 - Assessment of a penalty against the University
 - In extreme cases
 - Lawsuit against and prosecution of the PI
 - PI barred from receiving future sponsor funding



Narration:

University compliance with federal regulations for sponsored projects is monitored by the federal government. If the federal government has concerns about compliance, they may choose to investigate individual sponsored projects at Northwestern by performing an audit. If the project is found to be out of compliance, there is the potential for damage to the reputations of the University and the Principal Investigator, and possible assessment of a financial penalty against the University. In extreme cases, the federal government may initiate a lawsuit against the PI. If found guilty, a PI could be barred from receiving future federal funding.

Consequences of Non-compliance

Institution	Settlement Date/ Agency	Alleged Misconduct Issues	Settlement
Yale University	2007	Cost transfers; summer salary charges	\$7.6 million
University of Massachusetts Medical School	NIH	Cost transfer; unsupported labor charges	\$24K; triggered Yale & Roger Williams Hospital audits
California Institute of Technology	2006 pending NSF review/ NSF	Timeliness; NSF grants	N/A
Howard University	2006	Cost sharing on NSF grants	N/A
University of Pennsylvania	2006/ NSF	Timeliness; cost transfers	\$3.3 million
University of Alabama at Birmingham	2005	Research work overstated; Medicare billed for research	\$3.4 million
Harvard University	2004	Government billed for salaries & expenses unrelated to federal grants	\$2.4 million
Johns Hopkins University	2004/ NIH	Faculty time & effort overstated	\$2.6 million
Florida International U.	2004	Cost transfers and direct costs	\$11.5 million
Northwestern University	2003	Institutional base salary (NMFF-NU); K award; certifier assignment	\$5.5 million



Narration:

A number of universities have been accused of non-compliance by the federal government. Some settlements have been quite substantial. As you can see, cost transfers are among the alleged misconduct issues.

Northwestern relies on PIs and administrators like you to stay informed about federal and University salary cost transfer policies and to implement appropriate compliant practices.

Best Practices Recap

- Correctly assign funding the first time such that no cost transfers are needed!
- Payroll expenses must always be recorded under the sponsored project for which the associated effort was expended
- Salary cost transfers may be used only to correct errors
- Transfers of salary charges are best completed prior to the quarterly effort certification process



Narration:

The best approach is always to have no cost transfers. If the salary planning and position funding are correctly and promptly done, then no salary transfers will be needed. Processing retroactive cost transfers is time-consuming and excessive cost transfers are subject to more audit scrutiny.

When cost transfers are necessary and unavoidable, the best practices for salary cost transfers between sponsored projects can be summarized as follows:

- Payroll expenses must be recorded under the sponsored project for which the associated effort was expended.
- Remember that the only valid reason to use a salary cost transfer between sponsored projects is to correct an error.
- And, transfers of salary charges should be timely. They are best processed prior to the quarterly effort certification process.

This concludes the introduction to sponsored project salary cost transfer policies and procedures. In the next section, you will find out about resources where you can learn more about salary cost transfers.

Information on the Web

- Cost Studies website- Salary Cost Transfers
 - <https://www.northwestern.edu/coststudies/salary-cost-transfers.html>
- Online Over 90 Day Journals Information page
 - <https://www.northwestern.edu/myhr/admin/updates/90-day-journals.html>



Narration:

You can find policies and procedures about salary cost transfers in various places on the Northwestern website.

Research Administrator Training

- Attend the ORI Research Administration Training Seminar
 - <https://www.researchintegrity.northwestern.edu/training-2/research-administration-training-seminar/>



Narration:

The Research Administration Training Seminar offered by the Office for Research Integrity is a 4-part comprehensive seminar recommended for all administrators in the research area. It addresses salary cost transfers and many other topics.

MyHR Learn Training

- Learn how to initiate salary cost transfer transactions:
 - Attend HRS101: Lookup Training
 - Attend HRS102: Deployed Funding
- More information and registration at:
 - <https://learn.northwestern.edu>



Narration:

The Deployed Funding course, HRS102, covers the process of transferring payroll expense from one chart string to another. You must take HRS101, Lookup Training, before attending HRS102

Contact for Salary Cost Transfers

- **Tina Mete**
Senior Financials Research Administrator/Evanston
Effort Reporting Coordinator
Email: c-mete@northwestern.edu
Phone: 847-491-6755
- **Erin Farlow**
Senior Financial Research Administrator/Chicago Effort
Reporting Coordinator
Email: e-farlow@northwestern.edu
Phone: 312-503-0323
- **Payroll (Chicago & Evanston)**
payroll@northwestern.edu



Narration:

If you have questions about salary cost transfers policies and procedures, please contact your effort coordinator or the payroll office

Review of Course Topics

- You should now be able to answer these questions:
 - What are salary cost transfers?
 - When is a salary cost transfer appropriate on a sponsored project?
 - During what time frames are salary cost transfers allowed?
 - What if an unallowable cost transfer is made?
 - Where can I learn more?



Narration:

Here are the topics that have been covered in this mini course, Introduction to Salary Cost Transfers. Take a few minutes to read through the questions and see if you can answer them. If you are unclear on the answer to any question, you may return to the slides that cover the topic. Remember that you can locate slides by referencing the slide titles on the right of your screen. Pause the course now while you answer each question.

And finally, remember that, for a refresher, you can view this course again at any time.

Congratulations!

- You have now completed the Introduction to Salary Cost Transfers on Sponsored Projects mini course. You have been introduced to:
 - Federal regulations for salary cost transfers on sponsored projects
 - Situations when a salary cost transfer is appropriate and allowable
 - Established NU salary cost transfer procedures



Narration:

Congratulations!

You have now completed the Introduction to Salary Cost Transfers mini course. You have been introduced to federal regulations and Northwestern policies defining when a salary cost transfer is appropriate and allowable, and to the established Northwestern procedures for complying with these regulations and policies.