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

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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.
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.
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.
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.
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.
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.
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.
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 made within 90 days of the original date the salary expense was recorded are also considered salary cost transfers. 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.
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.
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.
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.
You can find policies and procedures about salary cost transfers in various places on the Northwestern website.

Information on the Web
- Cost Studies website - Salary Cost Transfers
  - [https://www.northwestern.edu/coststudies/salary-cost-transfers.html](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](https://www.northwestern.edu/myhr/admin/updates/90-day-journals.html)
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.
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**  
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- **Erin Farlow**  
  Senior Financial Research Administrator/Chicago Effort Reporting Coordinator  
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  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.
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.