Cost Transfers & Effort Reporting
Best Practice Basics for Preparing Over 90 Day Journals

<table>
<thead>
<tr>
<th>Office of Cost Studies</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

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Mandatory or Optional?
Must vs. May

After effort has been confirmed by the certifier:

- **MANDATORY**: If a sponsored project is overcharged per certification, you **MUST** submit a cost transfer journal to remove the overcharge.

- **OPTIONAL**: If a sponsored project is undercharged per certification, you **MAY** be able to submit a cost transfer journal to recoup the difference (also review salary cap, budget, and sponsor/award terms & conditions)
Identifying Payroll > / < Certified

- ERS Cost Sharing Report (CERT > Reporting > Effort Results > Cost Sharing)
  - Recommended that DC or SubDC run at least once per quarter, after all effort is certified.
  - Report shows chartstrings that are providing or receiving cost share. A negative % indicates it is providing (JNL mandatory if sponsored account), whereas a positive % indicates it is receiving (JNL optional).
  - Use this report to compare differences between payroll % and certified %.

- Post Review – Triggered if Cert ≠ Pre Review Totals (Current Pay + CS entered in Pre Review); if Cert ≠ Payroll, may or may not generate
  - If you are aware at the pre review stage that actual effort was different than planned/charged, your pre review totals (pay + CS) should reflect this, and required JNLs should already be on your offline “to do” list – note that when a certifier agrees with your pre review totals, post review isn’t triggered unless payroll is adjusted after certification.
  - If effort is certified differently than your pre review totals, a post review generates to let you know.
  - Post review also generates if pre review totals and certified totals are different after a payroll transaction hits. Pre Review Total = current pay (dynamic) + cost share entered in pre review (static), so if payroll changes, so does Pre Review Total.
  - When you get an auto-email from ERS about a new post review or RCT (retroactive cost transfer), pull up the detailed effort report and transaction details ASAP to determine what actions are needed next.
View Effort Reports the Easy Way!

“Search Employee Effort Forms” Feature

From ERS Home with “CERT” tab selected, type in Employee ID or last name to pull up a list of all effort forms generated for that individual. Click “View” to see a Detailed Effort report with payroll (within the report, click the quarterly pay 100% total to see individual transactions)
Reading the Detailed Effort Report

Understanding the information in each column gives you a more comprehensive understanding of what has happened to date and if additional actions are still needed.

<table>
<thead>
<tr>
<th>Pre-Budget</th>
<th>Current Payroll</th>
<th>Previous Payroll</th>
<th>Adjustments</th>
<th>Certified Effort</th>
<th>Budget Error</th>
<th>Total Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$2,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>$500,000</td>
<td>$1,000,000</td>
<td>$500,000</td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>$1,200,000</td>
<td>$2,000,000</td>
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<tr>
<td>$1,500,000</td>
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<tr>
<td>$1,800,000</td>
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<tr>
<td>$2,400,000</td>
<td>$2,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>

Commitment Plan: This is the awarded commitment recorded in iVUE.

Payroll (Dynamic): Sum of all payroll transactions (including processed journals) – updates are pulled in weekly to a date ending on the quarter date 30 days from the previous invoice date. The quarter total link (next to 100%) to view individual transactions per account. Percentages are rounded from the institutional base salary (project pay / total payroll).

CT from Pre: This feature is not used by Northwestern.

CS from Pre (Static): Cost share entered in pre-review.

SubTL $ from Pre / SubTL $ from Pre: The sum of current payroll – cost share entered in pre-review. Note that if payroll totals change, SubTL $ will also change.

Cost Effort: Percentage of effort for each project, with corresponding dollar amount.

CT from Post: This feature is not used by Northwestern.

CS from Post: Cost share entered in post-review to reconcile differences between SubTL from Pre Totals & Certified Totals.

Adj TL $ / Adj TL %: The final reallocated totals per chartstring (project = CS entered in pre-review – CS entered in post-review generally should equal certified %).

Northwestern
What transactions are needed?
Verify Required/Allowed Transactions Using Effort Report

• Compare Payroll and Certified Effort columns on the effort report. If the effort is confirmed by the certifier and:
  – Payroll %/$ is greater than Certified %/$, the account may be overcharged.
  – Payroll %/$ is less than Certified %/$, the account may be undercharged.

• Generally, Certified %/$ - Payroll %/$ = Transaction %/$
  – Additional considerations apply if over the cap and/or over one year from original charge (generally no new charges allowed to sponsored accounts over one year; however overcharges must be removed regardless of time frame)
Example

- **60054321**: 50% - 0% = 50% may be charged
- **60099999**: 50% - 100% = (-50%) **must** be removed

**Journal Transactions:**
- 610-5249999-60054321: +3,750
- 610-5991234-60099999: (-3,750)

Click 100% total pay to view individual payroll transactions
Preparing the 90 Day Memo
90 Day Memo Context

- A common format for 90-day exceptions was developed to be used with a variety of transaction types (not just salary).

- Consider the questions in the context of salary and effort.
  - Truthfully explain what occurred, how it happened, and actions you are taking to prevent similar issues in the future. Include specific details.
  - Correlate your requested transfer(s) with the actual effort (work) that was done. The certified effort report should support your request.
    - If certified effort does "not" support, it shouldn’t be recertified solely to put through charges on sponsored projects; this goes against the principle that Effort drives Payroll. No changes should be made to certified effort except to correct errors, i.e. so that the certified report reflects the actual work performed.
  - Make sure to address all sponsored accounts impacted by the over 90 day journal.

- Additional training resources: [http://www.northwestern.edu/coststudies/salary-cost-transfers.html](http://www.northwestern.edu/coststudies/salary-cost-transfers.html)

- Please note: the example answers on the following slides are for training purposes only -- do not use as templates! Your answers should be unique to your specific circumstances.
Question 1

- Why was this expense originally charged to the chart string from which it is now being transferred? Or, why was this expense incurred (if not yet posted)?
  - Why did you charge chartstring A for effort performed on chartstring B? Be specific.
  - Example 1: Award issuance was delayed (subcontract not fully executed when work began), so salary for effort on the sponsored project was charged to the department in the meantime (note: effort should still be certified to the project where work occurred, either in notes or on the project chartstring if available).
  - Example 2: The PI originally planned for the research assistant to work on project A, but redirected her effort to project B. However the Research Administrator wasn’t aware of the change until the related effort report was certified, so in the meantime, charges hit project A per original funding setup.
Question 2

• Why should this charge be transferred/posted to the proposed receiving chart string? (For transfers, a correlation must be drawn between the initial charge and the chart string to which it is being transferred)
  – Why is it appropriate to move charges from current chartstring(s) to different chartstring(s)?
    • Example 1: The subcontract has now been fully executed and a chart string issued. Charges should be moved from the department to award chartstring, per effort performed and certified.
    • Example 2: The research assistant did not work on project A as originally planned; instead she worked on project B per the PI’s direction. Charges should be moved to project B, per effort performed and certified.
Question 3

• Why is this cost transfer/posting being requested more than 90 calendar days after the date of transaction on a budget statement/original occurrence?
  - Why wasn’t the necessary correction identified and completed within 90 days of original charges?
    • Example 1: The award chartstring was not available until recently, due to delayed subcontract execution. The chartstring was not issued until >90 days had elapsed.
    • Example 2: The research administrator didn’t know the research assistant's actual effort was different than planned until the effort report was released and certified by the PI. At time of certification >90 days had elapsed.
Question 4

• What action is needed to eliminate the future need for cost transfers/postings of this type? Is this action being taken?
  
  – What actions are you taking to prevent similar issues from happening in the future?
    
    • Example 1: We try to avoid starting projects until awards are finalized, but when delayed agreements are unavoidable, we will request pre-spending accounts whenever possible. If unable to obtain pre-spend, the salary will be charged to a department account until a chartstring is available, per best practice.
    
    • Example 2: The research administrator has instituted monthly meetings with PIs to discuss current and projected effort for themselves and their research staff, so that necessary funding changes can be identified and completed proactively. Our goal is to eliminate cost transfers as much as possible by updating position funding before charges post, but if we learn of changes in effort after, to complete the appropriate transfers within 90 days.
Question 5

- Salary transferred to sponsored projects must be supported by timely certified effort reports. For the salary charged to sponsored projects, have you certified effort for the quarter in which the transfer/charge occurs? If yes, attach the certified effort report.
  - If the quarter has been released, coordinate certification ASAP if not already complete. Review the certified effort report before requesting or creating a JNL:
    - If charging a sponsored account, is the request within one year, and was effort certified timely (within six months of quarter end)?
    - Does certified effort support the desired transaction(s)? Remember to account for transactions already completed (posted in FASIS GL) or in progress (submitted and anticipated to post in FASIS GL).
  - Exempt positions only (non-exempt positions do not have effort reports)
Required Signatures

• **Signature of Preparer**: should be signed by the individual who wrote the memo.

• **Signature of Supervisor/Principal Investigator**: when sponsored projects are involved, generally should be signed by the PI - *not* an administrator.

• **Signature & Date of Dean’s Office**
Consistency is key!

- Confirm that certified effort, requested transactions, and the 90 day memo are consistent with each other—they should tell the same story.
- Read the JNL packet in the mindset of a third party— if you weren’t familiar with the situation, could you understand what happened based on the documentation, and would the requested transactions/memo seem reasonable and appropriate?
Group Exercises
What would you do?

- What actions would you take if the following effort reports were managed by you? For each scenario:
  - Review the effort report.
  - Identify mandatory vs. optional cost transfers *(in these scenarios, the certifiers have confirmed the effort reports are correct).*
  - Calculate the necessary transactions.
  - Answer the four 90 day memo questions.
- Payroll % vs Certified %
- Certifier Notes
- Salary Cap
- Would there be a post review for the effort form currently (no)?
- Would there be a post review after the journal posted (yes)?
# Scenario 1 Transactions

<table>
<thead>
<tr>
<th>Chartstring</th>
<th>Transaction Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>610-5249999-60054321</td>
<td>925.50</td>
</tr>
<tr>
<td>192-5249999-60054321</td>
<td>9.01</td>
</tr>
<tr>
<td>SP0012345 NIH flowthrough (620 fund code)</td>
<td>1,851.00</td>
</tr>
<tr>
<td>SP0012345 over the cap (192 fund code)</td>
<td>18.02</td>
</tr>
<tr>
<td>110-1234567</td>
<td>(2,803.53)</td>
</tr>
</tbody>
</table>

- (% Effort x IBS) – (% Effort x Salary Cap) = Over the Cap
  - Effective 01/10/16, NIH salary cap is $185,500; for a 3 month quarter, $185,100/12*3 = $46,276
- 2% certified to 60054321, 0% charged
  - $46,725.50 x 0.02 = $934.51
  - $46,275.00 x 0.02 = $925.50 (charge 620)
  - $934.51 - $925.50 = $10.01 over the cap (charge 192)
- 4% certified to SP0012345 (notes), 0% charged
  - $46,725.50 x 0.04 = $1,869.00
  - $46,275.00 x 0.04 = $1,851.00 (charge 620)
  - $1,869.02 - $1,851.00 = $18.02 over the cap (charge 192)
- 5% certified to department (110), 11% charged
  - Credit 5% to 110, i.e. (- $2,803.53) – the total amount transferred to sponsored project & companion over-the-cap cost share accounts
- Payroll % vs Certified %
- Would there be a post review for the effort form currently (yes)? If so, should it be completed at this time (no)?
- Would there be a post review after the journal posted (no – will disappear b/c new SubTL from Pre = Certified)?
Scenario 2 Transactions

<table>
<thead>
<tr>
<th>Chartstring</th>
<th>Transaction Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>610-5249999-60054321</td>
<td>7,500.00</td>
</tr>
<tr>
<td>610-5991234-60099999</td>
<td>(7,500.00)</td>
</tr>
</tbody>
</table>

- 100% certified to 60054321, 0% charged
- 0% certified to 60099999, 100% charged

- How did this happen?
- How can you prevent similar issues in future?