Agenda
Thursday, April 11

• Cost Principles for Sponsored Projects Administration
• Facilities and Administrative (F&A) Rate
• Service (Recharge) Centers and Program Income
• Cost Transfers
• Faculty Salary Planning
• Compensation: Personal Services and Effort Reporting
The Office of Cost Studies is dedicated to providing analytical, cost accounting, and effort reporting expertise to the management of Northwestern University's research enterprise and to the fulfillment of business operational objectives. We establish and oversee conformance with University policy, procedure, and practice in matters relating to cost accounting and effort reporting for sponsored programs.

**Responsibilities**

- Cost Accounting Principles
- F&A Costs
- Compensation - Effort Reporting
- Recharge/Service Centers
- Financial Surveys
- Costing Analysis

**Office of Cost Studies - Personnel**

- **Jennifer Mitchell**
  - Director, Cost Studies

- **Tina Mete**
  - Sr. Financial RA

- **Erin Farlow**
  - Sr. Financial RA

- **Sophia Gabay**
  - Sr. Cost Analyst

[http://www.northwestern.edu/coststudies](http://www.northwestern.edu/coststudies)
2 CFR 200
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

• Effective Dec 26, 2014
• Supersedes 8 OMB circulars, including A-21, A-110, and A-133
  – A-21: Cost Principles for Institutions in Higher Education
  – A-110: Administrative Requirements
  – A-133: Audit Requirements
  – Applied to Audit: period starting Dec 26, 2014
• Download: http://www.ecfr.gov/cgi-bin/textidx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Cost Studies

Organization of Uniform Guidance

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<th>Section No.</th>
<th>Predominate Sources</th>
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<td>Subpart E</td>
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<td>200.4xx</td>
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<tr>
<td>Appendices</td>
<td>Combination of all 8 circulars; III – F&amp;A for Educational Institutions</td>
<td>I to XI</td>
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### Risks of Non-compliance

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<th>Settlement</th>
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<td>Final settlement &lt; recommended $ by the auditor</td>
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### Roles and Responsibilities

- Are you involved in managing these funds?
  
  Fund 610 to 650 (Sponsored) & 191 to 193 (Cost Share)
  
  - Research administration includes providing stewardship to appropriately manage grants and contracts at All Levels

- Internal Controls (Section 200.303)
  
  - Must maintain effective internal control over the federal award that provides reasonable assurance...
  
  - Must comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
  
  - Must take prompt action when non-compliance is identified

Cost Studies
Sponsored project costs are comprised of allowable direct costs plus the allocable portion of allowable indirect costs.

Direct vs. Indirect (F&A) Costs

- Direct Costs
  - PI Salary
  - Equipment
  - Fringe Benefits

- F&A Costs
  - Office
  - Admin Salary
  - Building
Guiding Principles for Charging Costs

- Be necessary and reasonable for the performance of the award and be allocable thereto under these principles.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities.
- Ensuring consistent treatment. A cost is either direct or indirect cost when for the same purpose in like circumstances.
- Not included as a cost or cost sharing on another award
- Be adequately documented
Unallowable Costs Examples

- Uniform Guidance:
  - 200.423 Alcoholic beverages
  - 200.424 Alumni/ae activities
  - 200.429 Commencement costs
  - 200.438 Entertainment costs
  - 200.441 Fines, penalties and settlements
  - 200.442 Fund raising
  - 200.445 Goods or services for personal use
  - 200.450 Lobbying
  - 200.469 Student Activity Costs (including athletics)

- Agency-specific policy (e.g., NIH salary limitation)
- University policy (e.g., Employee morale costs)
- Award-specific terms & conditions (e.g., Some grants prohibit foreign travel)

Guiding Principles: Reasonable Costs (200.404)

- Is determined by the prudent person test. i.e., are the nature and charge amount not excessive and within the bounds of common sense?
- Generally recognized as ordinary and necessary.
Can the charge pass the “Test of Reasonableness”?

- Common sense – will another prudent person make the same decision?
- How would it look if published in the Chicago Tribune?
- Is it consistent with ethical business practices and applicable laws?

Guiding Principles: Allocable Costs (200.405)

A cost is allocable to a sponsored agreement if:
- It is incurred solely to advance the work under the sponsored agreement;
- The cost is charged in accordance with relative benefits received or other equitable relationship.
Allocability

An appropriate method should be used to allocate the costs of bulk purchases to individual project (see below)

Allocate based on a reasonable estimate of actual consumption
Allocate based on the number of grants in the department

Questions?
Can I Charge this Cost to an Award?

Reasonable? Allowable? Allocable?

Yes → Direct or F&A? (consistency) → Direct

No → F&A

Charge to a non-sponsored account

Charge the cost to the award using the appropriate expense object Account Code

Check Your Knowledge
Facilities & Administrative Rate

Tina Mete
Senior Financial Research Administrator
Office of Cost Studies

Higher Education: 4 Major Functions

Instruction  Organized Research
Other Sponsored Activities  Other Institutional Activities
F&A Rates

- All research and development activities of an institution Facilities and Administrative Cost - also known as *Indirect Cost, Overhead Cost*
- F&A Rates are Calculated per Major Function once every 3 or 4 years by the Office of Cost Studies
- F&A Rates of Instruction, Organized Research, and Other Sponsored Activities are then *Negotiated* with the Federal government
- *Organized Research* accounts for the largest reimbursement of the F&A Cost and is today’s focus

Organized Research

- All research and development activities of an institution are separately budgeted and accounted for including:

1. **Sponsored Research**: All research and development activities that are sponsored by Federal and non-Federal agencies and organizations

2. **University Research**: All research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds
F&A Rate Calculation

- The rate is based on a periodic calculation and submission of a rate proposal, which is then negotiated with Northwestern’s cognizant agency (DHHS)

\[
\text{Indirect Costs Supporting Organized Research} = 58.0% \\
\text{Direct Costs of Organized Research}
\]

F&A Rate Development Methodology

- Indirect Cost Assignment & Allocation
  - Instruction
  - Organized Research
  - Other Sponsored Activities
  - Other Institutional Activities

Direct Cost Buckets
The F&A Ratio

The “Pools”
- Facilities costs
- Administrative costs
- Based on allocations of actual costs

\[
\text{Indirect Cost “Pools”} = 58\% \\
\text{Direct Cost “Base”}
\]

The Base
- Based on actual costs charged to research projects
- Typically expressed as MTDC but can be TDC or salary & wages

Facilities & Administrative Costs

Facilities Related Costs
- Building Depreciation/ Use Allowance
- Equipment Depreciation/ Use Allowance
- Interest
- Operations & Maintenance
- Library

Administrative Related Costs
- General Administration (GA)*
- Department Administration (DA)*
- Sponsored Projects Administration (SPA)*
- Student Services
F&A Rate Calculation

Assign expenditures to pools and bases by function code
Remove unallowable costs from pools*
Allocate allowable pool costs to major functions
Divide: F&A Costs allocated to OR/MTDC* of OR

Step 3: Allocate Allowable Pool Costs to Major Functions

<table>
<thead>
<tr>
<th>Indirect Cost Pool</th>
<th>Allocation Basis</th>
<th>Allocation Basis Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>Square Feet</td>
<td>Allocation Statistic is equal to Sq. Ft used for each Major Function divided by Total Assignable Sq. Ft</td>
</tr>
<tr>
<td>Admin</td>
<td>Modified Total Cost of each major function</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Major Function</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration</td>
<td>University-wide MTC</td>
</tr>
<tr>
<td>Department Administration</td>
<td>School/Department MTC</td>
</tr>
<tr>
<td>Sponsored Projects Administration</td>
<td>Sponsored project MTC</td>
</tr>
<tr>
<td>Student Services</td>
<td>Allocated 100% to Instruction</td>
</tr>
</tbody>
</table>
How F&A Costs are Distributed

- Allowable Facilities Related Indirect Costs $150M
- MTC & Other Allocations
  - $6.25M
  - $45M

Organized Research – F&A Rate

- Allowable Facilities Related Indirect Costs $150M
- MTC & Other Allocations
  - 25% to Research
  - 45% to Research

- $34M F&A
- $58M F&A = 58% Research F&A Cost Rate
Space Survey

Why is it Important?
• Cost allocation for building and equipment depreciation/interest
• Operations and maintenance
• Rate is uncapped

How Can You Help?
• Key for F&A rate calculation*
• Offices will be calculated based on salary distribution by the Office of Cost Studies*
• For labs, account for who worked in the lab
  – Understand the funding per lab
  – Training grants vs. research grants
  – Recharge

F&A

Maximizing F&A Recovery

• F&A recovery is a critical part of the University's budget and necessary to support a sustained investment in the research enterprise

• Negotiated rate is almost always less than the actual calculated rate*

• Accessing the F&A rate represents recovery of costs already incurred by the University, which benefited the sponsors

F&A
F&A Rate Calculation: How Can You Help?

Conduct the following activities *Timely and Appropriately*:

- Effort reporting (working with Cost Studies)
- Space survey (working with Facility Management and Cost Studies)
- Equipment inventory (working with Account Services and Cost Studies)

Questions?
Recharge Centers (Service Centers) and Program Income

Tina Mete
Senior Financial Research Administrator
Office of Cost Studies

What is a Service (Recharge) Center?

A Service Center is an Operating Unit that has the expertise to provide specialized services/goods to internal (NU) customers on a recurring basis and needs to recover the costs of providing the goods/services

- Costs of providing the good/service are recovered through fees to users, primarily Northwestern faculty, staff, and students
- Service Centers aka. Recharge Centers
Why Do We Need Service (Recharge) Centers?

- Good and/or service may not be otherwise available
- Increase procurement efficiency or convenience

Examples:
Use of a MRI machine, Cleanroom, Machine shop, etc.

Categories of Service Centers

- **Specialized Service Facility**
  (Direct + Indirect = Fully loaded costs)
  e.g., CCM (Animal Facility), Telecommunication

- **Core Facilities**
  (Shared resources with a research aim)
  e.g., Genomics, IMSERC

- **University-wide Service/Recharge Center**
  (Managed by Central – e.g., Facility Management)

- **Department Recharge Center**
  (Operated by a department)
  e.g., Machine shop
When is a Recharge Center Needed?

- **Examples**
  - **Recurring Use** of an instrument by other researchers and need to recover the labor, maintenance, and/or applicable equipment depreciation cost
  - **Recurring Services** to provide goods or expertise to users and need to recover the operating costs

**Contact us!** A cost study of the recharge rates should be performed to ensure the charges are based on actual costs and **no profit is built into the rates for internal usage**.

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**SETTING THE RECHARGE RATES - COST BASED APPROACH**

**The Basic Equation:**

1. **Direct Operating Costs:**
   - Labor (Salary + Fringe)
   - +
   - Non-Labor Costs (supplies, maintenance contracts, etc.)

2. **Annual Equipment Depreciation (if utilized)*

3. **Subsidies**

4. **Prior year balance**

5. **Projected # of Goods or Services Sold**

= **“Calculated” Rate per Unit**

(may not be the same as the Actual Recharge Rate)

*Special attention to utilizing equipment depreciation (see later slides)*
Examples of Measurable Units for Goods or Services

- Labor hour
- Machine hour
- CPU unit
- Per Rack Unit
- Daily rate
- Test
- Slide
- Page
- Cup

Recharge Rates & Subsidy Consideration

- Most recharge centers are supported (subsidized) by the university, school or department
- Charges to users must be equitable so no Federally sponsored user subsidizes another user
  - If a lower rate is provided to certain users only, subsidy/support from another allowable source should be provided to account for the difference
- Recharge rates are cost-based; the revenue from the recharge center cannot be treated as profit and used to purchase capital equipment or fund department deficits
- Recharge rates should be reviewed and approved by Cost Studies on an annual basis
  - Use the annually approved rates to charge users
Grant-Supported Recharge Centers

What is the treatment of revenue when a recharge center supported by federal grant(s) generates a net surplus during the award period?

Program Income
(2 CFR Part 200, § 200.307)

- Program income is gross income earned by a grantee, a consortium participant, or a contractor under a grant—that was directly generated by the grant-supported activity or earned as a result of the award
- Any costs associated with the generation of the gross amount of program income that are not charged to the grant should be deducted from the gross program income earned, and the net program income should be the amount reported
- Cost Principles from Uniform Guidance (2 CFR Part 200) must be adhered for grant funded costs to ensure allowability of the charges. References to Cost Principles:
  - https://www.northwestern.edu/asrsp/docs/Charging_Sponsored_Projects_Allowability_Guide_Final.xls
  - https://www.ecfr.gov/cgi-bin/text-idx?SID=8a24da15af9db496f432b9ebc8d0d631&mc=true&node=sp2.1.200.e&rgn=dv6
- Must be reported to the agency

Recharge Center
Examples of Program Income

- Fees for services performed
- Money from the use, sale, or rental of equipment purchased with project funds
- Sale of supplies or equipment purchased or fabricated with project funds
- Sale of software, tapes or publications
- Sale of research materials, such as animal models, vectors, or reagents
- Fees from participants at conferences or symposia

Use of Program Income

<table>
<thead>
<tr>
<th>Program Income Alternative</th>
<th>Use of Program Income</th>
</tr>
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<tbody>
<tr>
<td>Additive</td>
<td>Added to funds committed to the project or program and used to further eligible project or program objectives.</td>
</tr>
<tr>
<td>Deductive</td>
<td>Deducted from total allowable costs of the project or program to determine the net allowable costs on which the Federal share of costs will be based.</td>
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<tr>
<td>Combination</td>
<td>Uses all program income up to (and including) $25,000 as specified under the additive alternative and any amount of program income exceeding $25,000 under the deductive alternative.</td>
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<td>Matching</td>
<td>Used to satisfy all or part of the non-Federal share of a project or program.</td>
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Roles and Responsibilities

Service Center Director/Manager
- Manages routine operations
- Prepares rates
- Adheres to the approved rates when charging customers
- Tracks financial performance
- Administers billing and collection activities

Office of Cost Studies
- Assists in development
- Reconciles capital equipment information
- Reviews and approves rate calculation
- Helps correct non-compliant practices
- Establishes/monitors adherence to policy

http://www.northwestern.edu/coststudies/recharge.html

Questions?
Cost Transfers

Tina Mete
Senior Financial Research Administrator
Office of Cost Studies

What is a Cost Transfer (Journal)?

The act of moving a charge from one project/account to another

- Cost transfers can occur:
  - Between two sponsored accounts
  - From a non-sponsored account to a sponsored account
  - From a sponsored account to a non-sponsored account, or
  - Between two non-sponsored accounts
Why are Cost Transfers Problematic?

- A cost that is originally placed on an account is certified for allowability, allocability tests and direct benefit to a project
- A cost transfer invalidates that original certification

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Cost Transfer Guiding Principles

• Are for **correcting errors**
• Must **not** be used as a means of managing available cash balances
• Project funds are not interchangeable; the integrity of each grant account must be maintained
• Reasonableness, allowability, allocability, and consistency **must be established**; the need for a cost transfer must reflect adherence to federal cost principles and must be **well-documented**
• Costs applicable to several projects **cannot** be charged solely to a single project
• Costs not allocable to a project **cannot** be charged to that project (even temporarily)

NIH and Northwestern Standards

<table>
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<th>Northwestern</th>
<th>Cost Transfer Standards</th>
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<tr>
<td>Transfers of salary charges should take place before certifying effort</td>
<td>90 day exception letter needed for transfers made after 90 days*</td>
</tr>
<tr>
<td>Cost transfers greater than 12 months after the date of occurrence*</td>
<td>Must be made 90 days after error is discovered</td>
</tr>
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<td>Must be made within 90 days of the original charge</td>
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*Must be made 90 days after error is discovered
Cost Transfer Documentation

- Provide a reason for the transfer
- Explain the purpose of the transfer
- Draw a correlation between the initial charge and the account to which it is being transferred
- Document and maintain all relevant information to the transfer

Salaries/wages cost transfers (journals) must be supported by certified effort report if the reporting period has been open in the Effort Reporting System (ERS)

- Links to 90-day cost transfer memo and related references:
  [http://www.northwestern.edu/coststudies/salary-cost-transfers.html](http://www.northwestern.edu/coststudies/salary-cost-transfers.html)

Cost Transfer Red Flags

- Transfers made in excess of 90 days after the original charge
- Transfers without a full explanation or “cookie cutter” explanations (e.g., “to correct error”)
- High volume of transfers (especially during the last month of the award)
- Patterns in timing (i.e., near end of project period) and “route” (mostly onto, and rarely off of sponsored projects) of transfers
- Transfers among “closely related” projects
- Grant to Grant transfer
How to Prevent *Unnecessary* Cost Transfers

- Establishing pre-award chartstrings, when appropriate, can prevent future cost transfers
  - Pre-award spending allows the PI to begin work and record charges against the proper chartstring related to a project before the start of the award
  - Keep in mind that costs are incurred at the institution's or department's risk
  - To establish a pre-award chartstring, submit the request via ESPR explaining the need and supplying budget details
- Establishing a financial plan that enables you to proactively charge expenses to the correct chartstrings from the onset
- Communicating with Payroll, recharges centers and other staff that process expenses to the grant

Timeliness and Closeouts

- Submitting cost transfer in time for reporting is a major consideration as the government tightens its closeout processes (e.g., Payment Management System)
- Deadlines for reporting expenses have changed significantly
- What do these new rules mean...
  - Grant expense need to be reconciled by the end date of the grant, not after the grant end date
  - Cost transfers submitted after the grant end date may not make the report and could be denied
    - Department may lose funding if they have not charged expenses timely
Questions?

Cost Transfers

Faculty Salary Planning

Deb Cundiff
Business Administrator
McCormick School of Engineering

Marsha Mc Clellan
Director of Financial Management
Feinberg School of Medicine
What is Faculty Salary Planning?

a.k.a. Direct charging

Begins at the proposal stage

Faculty must estimate how much time they will spend on the project (effort)

Administrator uses effort to calculate the salary request from the sponsor

PI provides the scientific leadership supporting the research

Faculty Salary & Effort – Proposal Budget

<table>
<thead>
<tr>
<th>Good Laboratory Android Design (G.L.A.D.)</th>
<th>Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORGANIZATION</td>
<td>Northwestern University</td>
</tr>
<tr>
<td>BUDGET YEAR START</td>
<td>April 1, 2015</td>
</tr>
<tr>
<td>BUDGET YEAR END</td>
<td>March 31, 2016</td>
</tr>
<tr>
<td>PRINCIPAL INVESTIGATOR/PROJECT DIRECTOR</td>
<td>Charles Darwin</td>
</tr>
<tr>
<td>SENIOR PERSONNEL</td>
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<tr>
<td>Appointment Type</td>
<td>Person-months Committed to Project</td>
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<tr>
<td>(e.g., 11, 12 months)</td>
<td>CAL</td>
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<tr>
<td>1</td>
<td>Charles Darwin</td>
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<td>Emma Wedgewood</td>
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<td>OTHER PERSONNEL</td>
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<td>1.00 POST DOCTORAL ASSOCIATES</td>
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<td>GRADUATE STUDENTS</td>
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<td>TOTAL FRINGE BENEFITS</td>
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</tr>
<tr>
<td>TOTAL SALARIES, WAGES AND FRINGE BENEFITS</td>
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</table>
Salary Expense on Grants

- Salary charging must adhere to the 4 basic cost principles per the Uniform Guidance, 2 CFR 200:
  
  - **Reasonableness**
  - **Allowability**
  - **Allocability**
  - **Consistency**

Principles & Policies

- The NIH Grants Policy Statement:

  Salary and wage amounts charged to grant-supported projects for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with applicable Federal Cost Principles and consistently applied institutional policy and practices.
Principles & Policies

• The NSF Proposal and Award Policies and Procedures Guide:

  NSF limits salary compensation for senior project personnel to no more than two months of their regular salary in any one year. This limit includes salary compensation received from all NSF-funded grants. This effort must be documented in accordance with the applicable cost principles.

Key Principles

• Effort commitments should drive salary planning
• Cost sharing (including over the cap salary) must come from a non-sponsored source
• Identify cost sharing sources early
• Not all faculty activities come from extramural funding:
  – Instruction
  – Administration
  – Grant writing (usually…)
• PIs should generally not be 100% funded from sponsored projects, unless there is a sponsor exception
How is Faculty Salary Paid on the Evanston Campus?

- Tenure/tenure track faculty have 9 month academic year appointments
- May also have another appointment with a different contract period (i.e. 12 month)
- May receive up to 2.5 months of summer salary from sponsored projects
- Academic year: 9/16-6/15
- Summer period: 6/16-9/15
- Partial months of September & June will affect direct charge calculation

Salary Planning

How is Faculty Salary Paid on the Evanston Campus?

- Salary is paid over 12 months regardless of appointment length
- On effort report, salary distribution must be restated to appropriately show earned amounts according to appointment (during the academic months)
- Calculating the monthly earned rate is complicated
  - Northwestern has developed tools to help
**Salary Planning**

---

### How is Salary Paid on the Chicago Campus?

- **Clinical faculty (MDs)** have 12 month appointments

- **Most Ph.D./investigator track/tenure eligible faculty** have 12 month appointments except for a few that elected to remain with 9 month appointments or have joint appointments with an Evanston school

- **Institutional base salary (& effort)** includes both NU & NMG

- **12 month academic year**: 9/1-8/31

- **9 month Academic year**: 9/1-5/31
  - **Summer Quarter**: 6/1-8/31

---

**Evanston: What is Academic Base Salary?**

- **BASE**

- **Notes**: SUMMER – Enter/update MONTH RCD Annual SALARY 12 20.00 – 0

- **• 9 month Academic year**: 9/1-5/31

- **• 12 month academic year**: 9/1-8/31

- **• Institutional base salary (& effort) includes both NU & NMG**

- **• Most Ph.D./investigator track/tenure eligible faculty have 12 month appointments or have joint appointments with an Evanston school**

- **• Clinical faculty (MDs) have 12 month appointments**
NIH Salary Cap

• Some sponsors put a limit on the amount of salary that can be charged to federal awards.
  • e.g. NIH salary cap as of 1/7/18 is $189,600 per year or $15,800 per month for 12 month appointments
  • For 9 month appointments, the cap is $142,200 per year or $15,800 per month.
  • If a Faculty member’s salary is over the NIH cap the overage amount must be charged to a non-sponsored account.

Example: Dr. Smith has a 12 mo. appointment and an annual salary of $200,000. He has 10% effort on an NIH grant. The salary would be charged as follows:
  10% of salary = $20,000
  NIH grant chart string: Charge 10% of NIH cap = $18,960
  Non-sponsored chart string: Charge $1,040 ($20,000 - $18,960)

Research/Summer Quarter (Summer Salary)

• Research/Summer quarter payments are made using the Summer/Research Quarter Salary Request Form (not through deployment in myHR)

www.northwestern.edu/hr/payroll/administratorpayments.html
Why Faculty Might Not Direct Charge in Evanston Schools

- The base academic salary is guaranteed by the faculty members’ Dean’s Office
  - Faculty might prefer to utilize the awarded research dollars for other charges to grants
- Some sponsors have salary caps
- Some limit salary charges to a specific number of months
- Some discourage academic year salary/benefit charges to grant budgets entirely
- It is critical to have an understanding of what each sponsor permits
- In contrast, on the Chicago campus, all faculty direct charge their salaries

Why Faculty Might Direct Charge in Evanston

- As an incentive, on the Evanston Campus faculty who direct charge academic salary to grants receive a portion of the appropriated salary funds as an allocation into PI discretionary account.

Released Funds
When Do We Direct Charge?

- The administrator and faculty member must work together to develop an annual plan at the beginning of the FY
- Make monthly adjustments as needed to reflect unanticipated activities
- Reduce compliance risks and save yourself transactional work if you complete direct charging before the 90 day period expires
- Retroactive salary adjustments more than 1 year after date of the initial charge will not be processed

Over 90-day Salary Journals – Dos and Don’ts

- If you need to make a retro adjustment that is more than 90-days old, you will need to process a 90-day payroll journal in myHR
- Audit risk – 90-day journals are hot topic with auditors
- Need to attach strong justification and documentation on the 90-day memo
- See “Over 90 Day Salary Journals – Dos and Don’ts” https://www.northwestern.edu/coststudies/salary-cost-transfers.html
### Evanston Salary Planning Worksheet

#### I. Salary & Appointment

Enter percentages in Section IV, highlighted blue, in FASIS.

Fill in fields highlighted in Yellow; all other fields are calculated by the worksheet.

#### II. Effort Distribution

#### III. Amount Charged

- **NIH Cap Monthly Rate:**
  - *NIH Cap 01/07/18 - 08/31/18:* 189,600 (new cap may not be used until 1/7/18)
  - *NIH Cap 09/01/17 - 01/06/18:* 187,000

**Note:** Cost sharing charged to endowment acct

**Salary Planning**

**Budget Note:**

- **Over the Cap Cost per Month:** $0.00
- **Monthly Pay Rate (12 months):** $0.00
- **Monthly salary (earned rate):** $0.00

**FASIS Position #:**

**Employee ID:**

**NIH Flow through Project**

- 192-1234567-60032000
- 610-1234567-60031000
- 620-1234567-60032000
- 650-1234567-60033000
- 450-1234567

**Annual Base Salary (NU+NMG):** 275,000.00

**Monthly Total**

- True

**Additional Comments Net Diff:**

**wwwnorthwestern.edu/coststudies/effort.html**

* Once on the above website, look under “References and Templates” and click “here” to log in with your NetID and password to access this worksheet.

---

**Chicago 12 Month Salary Template**
Forms: Where Do You Get Them?

- Summer Salary Forms
  
  [www.northwestern.edu/hr/payroll/administratorpayments.html](http://www.northwestern.edu/hr/payroll/administratorpayments.html)

- Salary planning wkst & Academic Base Salary wkst
  
  [www.northwestern.edu/coststudies/effort.html](http://www.northwestern.edu/coststudies/effort.html)

*Note: Once on the above website, look under “References and Templates” and click “here” to log in with your NetID and password to access this worksheet.*

Faculty Salary Charging Quiz #1

- Prof. Marie Curie has an academic base salary of $90,000 and a 9-month appointment
- Her earned rate is $10,000/month
- She is paid over 12 months
- What is her monthly pay rate (amount paid out in each paycheck)?

Answer: $7,500. Since the salary is paid over 12 months, only 75% of the earned rate is actually paid out in each paycheck.
Faculty Salary Charging Quiz #2

• Prof. Darwin has an academic base salary of $90,000 and a 9-month appointment
• Prof. Darwin wants to charge 1 month of academic effort to his NSF grant.
• What is the total dollar amount of salary that will be charged to the grant?

Answer: $10,000. The effort is based on the earned rate (1/9) not the paid rate (1/12).

Faculty Salary Charging Quiz #3

• Dr. Oz has an FSM and NMG faculty appointment with an annual base salary on FSM of $50K and a base salary on NMG of $200,000. His total annual base salary is $250,000. In order to calculate effort and salary distribution, would we just use the FSM annual base salary or use both FSM and NMG annual base salaries?

• He has two NIH grants, with effort at 20% on one and 10% on another. Would we have to cost share on these grants or not?

Answer: 1.) We would use the IBS, both FSM and NMG
2.) Yes, his IBS is greater than the NIH’s salary cap of $189,600
Questions?

Chicago:
Marsha McClellan
Director of Financial Management, Feinberg
m-mcclellan@northwestern.edu

Evanston:
Deb Cundiff
Business Administrator
McCormick School of Engineering
deb@northwestern.edu

Compensation:
Personal Services and Effort Reporting

Tina Mete
Senior Financial Research Administrator
Office of Cost Studies
Compensation for Personal Services
– Cost Studies Personnel

• Operational Support (Effort Reporting System) and Compliance Monitoring
  ▪ Jennifer Mitchell (Oversees Effort Reporting, 7-2473)
  ▪ Tina Mete (Evanston Contact, 1-6755)
  ▪ Erin Farlow (Chicago Contact, 3-0323)

http://www.northwestern.edu/coststudies/effort.html

Why Effort Reporting?
Why Effort Reporting?

Effort

- Effort Reporting is the approach NU utilizes to fulfill the regulations in 2 CFR Part 200 (Uniform Guidance), Section 430: Compensation – Personal Services
  - Labor represents ~75% of direct research costs

2 CFR PART 200 – Uniform Guidance

- Effective in December, 2014
- Significant updates on Effort Reporting
  - 3 Examples removed (less prescriptive)
  - Internal Controls (200.303) emphasized
  - Written policies/procedures emphasized
  - Institutional Base Salary (IBS) emphasized
- Download
  [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)
Standards for Documentation

(i)(1)(i) to (i)(1)(viii)

• Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed
• Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
• Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities

Internal Controls

§ 200.303 Internal Controls
– Must maintain effective internal control over the federal award that provides reasonable assurance…
– Should be in compliance with COSO and Standards for Internal Control in the Federal Government (the “Green Book”).
– Must comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
– Must take prompt action when non-compliance is identified
– Must take reasonable measures to safeguard personally identifiable information and other information designated as sensitive

Is our current Effort Reporting System sufficient for Internal Controls?
What does Effort Reporting Verify?

**Effort**
- Appropriate Base Salary Rate utilized according to appointment(s), which defines IBS
- Appropriate salary/wage charged to sponsored programs (paid effort)
- Cost Sharing performed as promised
  - Mandatory Cost Share (required by sponsor)
  - Voluntary Committed Cost Share (proposed on award budget)
- Salary over the cap cost funded by non-sponsored funds
  - *Appropriate NIH salary cap utilized*
- Research effort fulfilled for NIH career awards

Who Needs to Certify Effort?

Any person paid (or with a commitment) on a sponsored award must certify that the salary paid (or the commitment) is reasonable in relation to the effort (activity) devoted to the award.
Risks of Non-compliance

<table>
<thead>
<tr>
<th>Institution</th>
<th>Date Settled/Agency</th>
<th>Issues</th>
<th>Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern</td>
<td>2004/ NIH</td>
<td>Institutional base salary; K award; Certifier Assignment</td>
<td>$5.5 million</td>
</tr>
<tr>
<td>Johns Hopkins University</td>
<td>Feb 2004/ NIH</td>
<td>Faculty time &amp; effort overstated</td>
<td>$2.6 million</td>
</tr>
<tr>
<td>Harvard University</td>
<td>July 2004/ NIH</td>
<td>Government billed for salaries &amp; expenses unrelated to federal grants; self reported</td>
<td>$3.3 million</td>
</tr>
<tr>
<td>Florida International University</td>
<td>Feb 2005/ Dept of Energy</td>
<td>Effort reporting, cost transfers, payroll dist.</td>
<td>$11.5 million</td>
</tr>
<tr>
<td>University of Alabama at Birmingham</td>
<td>Apr 2005/ NIH</td>
<td>Research work overstated; Medicare billed for research</td>
<td>$3.9 million</td>
</tr>
<tr>
<td>The Mayo Clinic</td>
<td>May 2005/ NIH, others</td>
<td>Cost allocation, cost transfers, inadequate accounting system</td>
<td>$6.5 million</td>
</tr>
<tr>
<td>St. Louis University</td>
<td>July 2008/ NIH, CDC, HUD</td>
<td>Supplemental compensation, effort reporting</td>
<td>$1 million</td>
</tr>
<tr>
<td>Yale University</td>
<td>Dec 2008/ Multiple agencies</td>
<td>Cost transfers, summer salary charges, effort reporting</td>
<td>$7.6 million</td>
</tr>
<tr>
<td>Duke University</td>
<td>Jan 2009/ NIH</td>
<td>Direct charging of administrative and clerical costs</td>
<td>Final settlement &lt; recommended $ by the auditor</td>
</tr>
</tbody>
</table>

Effort Reporting Phases

- **Pre-Award**
  - Appointing faculty & staff: Employment terms established: # months (contract period), % full time, base salary
  - Preparing the proposal budget: Effort proposed; commitment made to the sponsor

- **Charging salary**
  - Salary charged/cost-shared, consistent with activity to grant budget or cost sharing account

- **Certifying effort**
  - Effort attested, after activity occurred

- **Account close-out**
  - Validation of certified effort against salary charges, ASRSP invoices final expenses & sends FSR
Life Cycle of Effort Reporting – an ongoing process…

1. Appointing faculty/staff
2. Preparing Budget
3. Charging Salary
4. Certifying Effort
5. Award Close-out

Key Principles of Effort Reporting

- Effort must be certified based on the actual work performed
- If the certified effort is less than the salary charged and cost shared to the grant for that quarter, the overcharged portion must be removed.
### Effort Confirmation - Per Reporting Period

<table>
<thead>
<tr>
<th>Payroll %</th>
<th>Effort %</th>
</tr>
</thead>
</table>

**Payroll Exceeds Effort - Per Reporting Period**

- Payroll exceeds Effort after the Certifier attested his/her Effort expended on the project for the reported period.
Effort Exceeds Payroll - Per Reporting Period

- Effort exceeds Payroll after the Certifier attested his/her Effort expended on the project for the reported period.

Example of Effort Report

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Payroll %</th>
<th>Cost Sharing %</th>
<th>Total %</th>
<th>Certified Effort %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHEMO RESEARCH</td>
<td>25%</td>
<td>1%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>STEM CELL RESEARCH</td>
<td>25%</td>
<td>0%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>SLEEP DREAM STUDY</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total Sponsored Accounts</td>
<td>44%</td>
<td>9%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Non-Sponsored Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEPT AECT</td>
<td>11%</td>
<td>-1%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>NU MED FACULTY</td>
<td>23%</td>
<td>0%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Total Non-Sponsored Accounts</td>
<td>34%</td>
<td>2%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

I certify that allocation of activity for the individual shown above is a fair representation for the period noted.

Form Certified By: King, Emily
Form Certified On: 03/19/2009

This Effort Form has been successfully Certified.
Effort Reporting: Key Concepts

- 100% Effort ≠ 40 ≠ 60 ≠ 80 hours per week

- Institutional Base Salary (IBS):
  
  Annual compensation paid by an organization for an employee’s appointments, whether that individual’s time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual is permitted to earn outside of duties for the applicant/grantee organization.

- Salary increase NOT based on receiving new sponsored funding
  - Changes of responsibilities, merit increase, etc.

Effort Reporting: Key Concepts

- Cost Transfers
- Commitment

Faculty members and senior researchers must commit some effort to the sponsored project within the fiscal year unless specifically exempted by the sponsor.
Effort Reporting: Key Concepts

Agencies Prior Approvals:

- Change in key personnel
- 25% or more reduction in time devoted to the project per budget period
- Absence of 3+ months
- Summer Effort (9 month faculty)

Effort Reporting: Key Concepts

- Consistency of reporting effort:
  - Progress reports
  - Current pending & support pages
  - Effort reports
  - Financial status reports

- NIH Salary cap and career award cap
  - Difference is funded by a non-sponsored source
Effort Reporting at NU

When to Report Effort:

- Effort reported quarterly
- Effort reports should be certified within 4 weeks after they are available for certification

Escalation Timeline:

<table>
<thead>
<tr>
<th>Estimated Timeline</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day 0</td>
<td>Effort Reports generated by central administration (~2-4 weeks after end of quarter) — notification sent to Dept Administration with the deadline communicated.</td>
</tr>
<tr>
<td>Week 3</td>
<td>Deadline reminder sent to Dept Administration.</td>
</tr>
<tr>
<td>Week 4</td>
<td>Effort reports due (~30 days after generation)</td>
</tr>
<tr>
<td>Week 5</td>
<td>1st warning – completion results communicated to Department Administration.</td>
</tr>
<tr>
<td>Week 7</td>
<td>2nd warning – completion results sent to Provost’s Chair.</td>
</tr>
<tr>
<td>Week 10</td>
<td>3rd warning – completion results and individual delinquency reports sent to Dept’s offices.</td>
</tr>
<tr>
<td>Week 14</td>
<td>Delinquency reports sent to VP of Research and Provost Office to determine appropriate action.</td>
</tr>
</tbody>
</table>

Effort Reporting System (ERS)

https://ers.northwestern.edu
Effort Reporting Training Sessions

- **Effort 101 Hands-on (Quarterly)**
- **Effort & Payroll Open Lab (Monthly)**
- **Faculty Effort Reporting (by Request)**
- **Brown Bag Sessions**
- **One-on-One Assistance**

Related Courses Recommended in the Following Order

- Research Administration Training Seminar offered by the Office for Research Integrity (contact ORI to register)
- Effort 101 (contact your Effort Coordinator to register)
- Sponsored Project Online Training (SPOT) – mini-courses and microlearning modules available online: [https://osr.northwestern.edu/training/spot](https://osr.northwestern.edu/training/spot)
- **myHR**
  - HRS 101: myHR Data Lookup
  - HRS 102: Deployed Funding
  - HRS 103: Temp Administration
- Finance Facilities and Research Administration (FFRA)
  - FMS505: Managing Sponsored Projects
- Sign up for myHR & FFRA courses via myHR Self Service
  - myHR Self Service → Learning → Request Training Enrollment → Search by Course Number

[myHR: http://www.northwestern.edu/myhr/index.html](http://www.northwestern.edu/myhr/index.html)
Cognos Certification & Commitment Report

- The ER001 report in Cognos BI displays effort commitments from InfoEd and certifications from ERS in a single report.
- Example for a given person for a given project:

<table>
<thead>
<tr>
<th>Title</th>
<th>Fund Code</th>
<th>Financial Department ID</th>
<th>Budget Period Start</th>
<th>Budget Period End</th>
<th>Committed Effort Calendar Months</th>
<th>Committed Effort Academic Months</th>
<th>Committed Effort Summer Months</th>
<th>Certification Quarter</th>
<th>Certification Period Start</th>
<th>Certification Period End</th>
<th>Certified Effort Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor</td>
<td>600</td>
<td>5421060</td>
<td>1/1/14</td>
<td>10/31/17</td>
<td>0.12</td>
<td>0</td>
<td>0</td>
<td>1Q2017</td>
<td>9/1/16</td>
<td>11/30/16</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>193</td>
<td>5421060</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2Q2017</td>
<td>12/2/16</td>
<td>2/28/17</td>
<td>0%</td>
</tr>
</tbody>
</table>

Run report for a project:
Run report for a person:

**What Data Can I See?**

- Committed effort by budget period from InfoEd
- Certified effort by quarter from ERS
- FY14 and later
- Can see any person / any project for the entire university
  - There is no row level security restriction
How Would I Use It?

- Check certified effort for a project, including people who are in other departments
- Look up certified effort for an entire fiscal year (or longer) at once rather than one quarter at a time
- Check who has committed effort on a project and see whether or not they have certified effort

How Can I Get Access?

- You automatically have access if you have sponsored program management rights (e.g. if you can run GM045)
  - Go to “Effort Reporting” folder inside the “School” or “Central” folder within FFRA
- If you don’t have sponsored program management access already, submit the FFRA express security form
Questions/Support

• Cognos Report Questions/Issues/Support
  – Klara Mueggenburg (Systems Analyst, Enterprise Reporting and Analytics)
  – consultant@northwestern.edu / 847.467.4186

• Commitment Data Questions / Issues
  – Cognos pulls commitment data from InfoEd; contact OSR to update InfoEd if there are commitment data entry errors

• Certification Data / General Effort Reporting Questions
  – Cognos pulls certification data from ERS; contact your campus effort coordinator for questions about certifications, how to determine if commitments were met, and other general effort reporting questions.
  – Chicago: Erin Farlow (e-farlow@northwestern.edu / 312.503.0323)
  – Evanston: Tina Mete (c-mete@northwestern.edu / 847.491.6755)

Questions?