

The Grant is here! Now what?

Part II: Best Practices for Payroll and Effort Allocations

Presenters:

College of Engineering | Charlie Colvin

NURES Finance | Fiorella Chavez & Fred Cromp



**Northeastern
University**

Agenda

- Overview
- Roles & Responsibilities
- Federal Regulations
- Institutional Policies
- Payroll Forms & Effort Reports
 - Payroll Distribution Changes
 - Period Activity Pay / Summer Salary
 - Annual Certification Report
- Monitoring Effort, Best Practices & Tools at Dept. Level
- FIN0145 Research Payroll Distribution
- NU-RES Finance Compliance Reviews
- Case Scenarios
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- Q&A

Overview

Salaries are the largest category of charges to federal grants. Since most faculty and the staff who work on sponsored projects are involved in multiple grants and other activities at the University, monitoring their effort is critical.

The Research Annual Certification Report is the University's primary means for complying with federal regulations relating to Time and Effort. Reports are certified by the Principal Investigator to ensure that the salary charges are commensurate with the employee's effort on the project.

This session will highlight policies and regulations, describe key components of relevant forms at NU, and discuss best practices at the department level.

NURES Finance Team Matrix

Activity	Research Finance Analyst (RFA)	Senior Compliance Specialist	Research Account Analyst (RAA)	Cash Management Team
Award Setup in Banner	X		X	
Expense Compliance Reviews: -Journal Vouchers -Cost transfers -Vendor Payments (Direct Pay Forms) -PO Requisitions	X			
-Concur Statements & Reimbursements				
-Payroll Distribution Changes -Summer Salary (Period Activity Pay)		X		
Research Annual Certification		X		
Financial Reporting	X			
Invoicing & Letter of Credit (LOC) Draws			X	
Payments & Collections			X	X
Closeouts	X		X	X

Roles & Responsibilities

Principal Investigator

- Primary individual responsible for the proper management of the project
- In the best position to validate the allocation of effort and salaries in support of the project aims
- Certifies annual effort reports

Department Administrator

- Work with faculty on managing projects
- Provide departmental approval for salary allocations, summer salary requests, etc.
- Assist with review and collection of PI's annual effort certifications
- Help “translate” agency and institutional requirements

NU-RES Finance

- Work more closely with sponsors, federal agencies, auditors, etc.
- Provide institutional approval for salary allocations, summer salary requests, etc.
- Oversee NU's annual effort certification process
- Focus on compliance checks and documentation

Federal Regulations

As a recipient of federal funding, Northeastern University is required to comply with the CFR, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Section 200.430: Compensation for Personal Services

- Contains the federal regulatory requirements for internal controls over documenting salary charges to Federal awards.
- Provides standards for documentation of personnel expenses.
- Implies that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
- Must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.



Institutional Policies

#1. Policy on Institutional Base Salary for Extramurally-Funded Sponsored Projects

It is the policy of Northeastern University that compensation for personal services charged to sponsored projects will be based upon the individual's IBS and not exceed any federally-mandated salary cap or other limitations imposed by sponsors... charges to sponsored projects shall be the percentage of IBS that are reasonable, allowable and allocable to that specific project. **Charges to sponsored awards are based on actual compensation amounts proportionate to the effort devoted to activities contributing and directly related to work under the sponsored award.** IBS may not be increased as a result of replacing or supplementing university salary with sponsored funds.



#2. Policy on Costs for Sponsored Agreements

Principal Investigators (PIs) are responsible for award expenditures, and that such expenditures are allowable and compliant with this policy. **Direct costs charged to a sponsored program must be necessary, reasonable, and allocable to the particular research program or project,** and must also be incurred within the limitations set out by the notice of award, sponsored award document and/or sponsor specific requirements, which may include seeking approval prior to charging certain costs to the award.

Institutional Policies

#3 Policy on Cost Transfer

Under this policy the Principal Investigator (PI) is expected to review expenditure activity regularly for allowability under the terms of a sponsored agreement...

All transfer requests must contain sufficient supporting documentation, explain why the error was made and describe why the expenditure is appropriate for the project to be charged. Cost transfers should be processed within... 90 days of the discovery of the error.

Transfers of salary are a form of cost transfer, however they are completed through the Payroll Distribution Change form (PDC) process... PDC forms require sufficient justification in order to stand the test of a formal audit and must describe how the salary redistribution affects effort applied on the research funds as described in the award. Adjustments made to salaries on a closed effort reporting period, included in a financial report/final invoice or a closed fund may require additional approvals.



Institutional Policies

#4. Policy on Effort Reporting

Federal regulations require that compensation and effort devoted to sponsored projects is appropriately documented and must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated... Accordingly, it is University policy that **while salary charges to sponsored projects are made initially based upon the planned or estimated workload of faculty and others, the actual effort of each individual working on sponsored projects must be monitored, with charges modified as necessary based on variances between the estimated and actual effort.**



Payroll distributions reflect the allocation of an individual's salary in the payroll system, while effort distributions reflect the allocation of an individual's effort to individual projects "independent of salary." Northeastern's effort reporting process relies on payroll distributions to provide information regarding the projects to which an individual's salary was provisionally charged during the effort certification period... **It is important, therefore, that changes in effort are routinely communicated and recorded on the University's financial records during the course of the fiscal year, and are generally not first reflected at the time the Effort Certification Report is prepared.**

Payroll Forms & Effort Reports

1. Payroll Distribution Form (PDC)
2. Period Activity Pay (PAP)
3. Research Annual Certification Report



Payroll Distribution Change (PDC)



System: [K2 Workspace](#)

Purpose: Payroll Distribution Change (PDC) forms are necessary to allocate employees' regular payroll charges to the appropriate project/index number.

Key Components

- Faculty effort conducted to a sponsored project during the academic term (September-April) is deemed part of regular academic duties and should be processed via a PDC form.
- Active monitoring of all personnel effort and salary expenditures to sponsored projects, will help to ensure that charges are accurate and PDCs processed timely.
- Retro PDCs > 90 days require additional justification. If PDC impacts 2021 payroll (calendar year), two PDCs will be needed:
 - #1 for Banner pay periods (7/1/21 – 12/31/21)
 - #2 for Workday pay periods (1/1/22 – current)

Resources:

[PDC Tips & Tricks](#)

[HR Guide: Initiate PDC](#)

Payroll Distribution Change (PDC)

INSTRUCTIONS: Complete this form online and submit to route the form to the designated approvers. When the last signature is obtained, the completed form will be submitted to HR. For questions on completing this form, please refer to the PDC Form Instructions or contact the HR Customer Service Center at 617.373.2230.

General Information

Requestor:

Request Date: 6/6/2022

On behalf of:

Submit Date:

Search by LastName or NUID only. A single result will resolve to a Full-name, multiple results might require use of the "search"/magnifying -glass icon.

Change From Date: 3/1/2022

Change To Date: 6/30/2022

Please note that Current Earnings Distributions only reflects distributions as of today and not distributions on this selected date; payroll is also aware of this.

Position:

Justification for Delay:

After Change To Date:

Justification is required if the PDC is > 90 days. The response should indicate why it took more than 90 days to determine that a cost transfer was necessary.

Request Reason:

Comments:

Request Reason Other:

Pay Component:

NOTE: Based on the dates selected, this is a Workday Request.

Current Earnings Distributions (Workday)	
INDEX	PERCENT
No items to display.	
Total	0.00%

Change in Earnings Distributions (Workday)				
+ Add Edit X Delete				
INDEX	BUDGET ENI	PAY COMPONENT	PERCENT	GRANT TYPE
No items to display.				
Total			0.00%	

Request Approvers

Please do not add NU-Research and Payroll as Approvers as they are automatically added as processors.

+ Add Edit X Remove

Attachments

+ Add

Exit Save Draft Submit

Payroll Distribution Change (PDC)

General Information

Requestor: Chavez, Fiorella

On behalf of: Search for employee's last name or NU ID

Request Date:

Position: Select correct position code from pre-populated options (HR requirement)

Change From Date: 3/1/2020 Enter PDC start date: Biweekly employees: date must be a Sunday Semimonthly employees: date is 1st or 16th day of month

Change To Date: 6/30/2020 Optional: Enter PDC end date (Leave date blank if allocation is ongoing)

Justification for Delay: If PDC >90 days, include a justification for delayed submission

After Change To Date: If Change To Date was specified, the After Change to Date is required. (Note: when multiple PDCs are requested, select "New Split - New PDC to be submitted")

Request Reason: Select the reason for submitting PDC. (If "Other", additional comment is required in Request Reason Other field)

Request Reason Other:

Comments: Include additional comments such as "PDC 1 of 3 for PI Smith", "NCE is in process", "NIH cap applied to fund 5xxxx"

Pay Component: RGRSAL (for salaried employees) RGR (for hourly employees)

Current Earnings Distributions		
INDEX	ACCOUNT	PERCENT
505	61010 - Salary-FT Tenured/TenureTrack Fac.	50.00
505	61010 - Salary-FT Tenured/TenureTrack Fac.	30.97
505	61010 - Salary-FT Tenured/TenureTrack Fac.	19.03
Total		100.00

Change in Earnings Distributions			
INDEX	ACCOUNT	PERCENT	GRANT TYPE
555555	61130 - Salary-	100.00 %	
Total		100.00 %	

Current Earnings Distribution: form auto populates employee's distribution as of today.

Change Earnings Distribution: click **+Add** to create a new distribution.

Summer Salary - Period Activity Pay (PAP)



System: [Workday](#)

Purpose: Payroll Activity Pay requests are necessary to pay Faculty for **Off Contract Research (OCR)** – Summer Salary.

Key Components

- OCR summer term: May 1st through August 31st.
- Effort is capped at 3.2 calendar months.
- Request includes IBS calculation and description of work in the Activity Comments section. PAPs lacking justification will be returned to submitter.
- Summer salary should be included in the original grant or contract proposal. Requests that were not budgeted may require additional sponsor approvals before processing.
- Be cognizant of NURES and Payroll deadlines.

Resources:

[PAP QuickCard](#)

[HR Job Aid: Initiate PAP](#)

Review Period Activity Pay: [redacted] Assistant Teaching Professor [redacted]

For [redacted] Assistant Teaching Professor - [redacted]

Overall Process Period Activity Pay: [redacted] Assistant Teaching Professor

Overall Status In Progress

Details to Review

Effective Date 05/26/2022

Employee [redacted]

Position [redacted] Assistant Teaching Professor [redacted]

Academic Period Summer Full 2022 Semester (05/09/2022-08/27/2022)

Rate Matrix College of [redacted]

Reason Period Activity > Add Period Activity Pay > New Assignment

Assignments 1 item

Activity	Activity Dates	Units	Compensation	Payments
Activity * OCR - Off Contract Research	Start Date * 05/01/2022	Unit Type Flat Amount	Total Amount [redacted]	Start Date 05/01/2022
Comment 1) IBS: \$80,000/8mo... 2) Effort on project 5xxx for PI, will be conducting...	End Date 05/31/2022	Quantity 1	Currency USD USD	End Date 06/15/2022
	Weeks in Activity Period 4.43	Default Quantity 0	Costing Overrides 1	Number of Payments 3
		Assigned Unit Rate [redacted]		Remaining Balance [redacted]
		Default Unit Rate 0.00		Paid to Date 0.00 USD

Period Activity Pay (PAP)

In the PAP table, complete the **Activity**, **Activity Dates**, **Units**, and **Compensation** sections.

Note: Include IBS calculation and description of work on grant(s) in the **Activity Comments** section.

Activity: OCR - Off Contract Research

Comment: Add IBS calculation and brief description of work on grant(s)
**Reminder: PAPs lacking justification will be returned to submitter.*

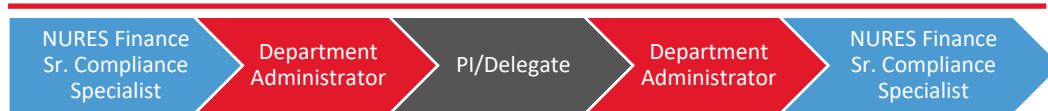
Activity Start/End Dates: Enter dates of work performed during OCR period
**Note: Override semester term dates as needed. Alert messages can be ignored.*

*Activity	*Activity Dates	*Units	*Compensation	Payments
Activity * <input type="text" value="OCR - Off Contract Research"/>	Start Date * <input type="text" value="05/01/2022"/>	Unit Type Flat Amount <input type="text" value="Qty: 1"/>	Total Amount * <input type="text" value="32,000.00"/>	Start Date <input type="text" value="05/01/2022"/>
Task <input type="text"/>	End Date * <input type="text" value="08/31/2022"/>	Quantity * <input type="text" value="1"/>	Currency USD <input type="text" value="Amt: Enter total OCR payment"/>	End Date <input type="text" value="08/31/2022"/>
Comment <input type="text" value="1) IBS calculation: \$80,000/8 = \$10,000 x 3.2 mo. = \$32,000
2) SOW: PI conducting test to..."/>	Use as Payment Date Range <input checked="" type="checkbox"/>	Default Qu <input type="text" value="0"/>	Costing Overrides <input type="text" value="0"/>	Do Not Pay <input type="checkbox"/>
	Weeks in Activity Period <input type="text" value="17.57"/>	Assigned Unit Rate * <input type="text" value="32,000.00"/>		Number of Payments <input type="text" value="10"/>

Compensation Costing Overrides: Click the button to enter the appropriate Banner indexes and allocation (see step 4)
**Reminder: OCR start/end dates should fall within the approved budget period of every index.*

Payment Start/End Dates: (defaults to OCR Activity Dates)
**Note: Retro payments will be processed by Payroll team in the next pay cycle.*

Research Annual Certification Reports



System: Generated from Banner ePrint and distributed via email.

Purpose: Certifies that the level of work performed as a condition of the award has been met. Reports are pulled for review during annual audits, sponsor site visits, and/or sponsor effort inquiries.

Key Components

- Distributed in early October and due back to NURES Finance by November 1st.
- One report per Index/Fund, showing total payroll charges by employee (from prior fiscal year: July - June).
- PI/Delegate is certifying that the total amount paid to each employee is a reasonable estimate of the work performed on the project.
- If corrections are needed, submit PDCs and note the adjustments under the “revisions” column.

Resources:

[Annual Certification Reports](#)

[Effort Reporting FAQ](#)

Northeastern University
Research Annual Certification Report
Reporting Period: July 01, 20xx to June 30, 20xx

Grant: G00007XXX
Project Start Date: 08/01/2019
Project End Date: 07/31/2023
Sponsor: Health and Human Services
Award No.: R01AB123456
Project Title: Measuring Levels of Internet Use..
Index No.: 500XXX
Index Title: HHS/1R01AB123456-01/Smith, J.

Principal Investigator: Smith, J.
DIVXX College of ...
XXXXX School ...

Name	Position Title	NU ID	ACCT	Acct Code Desc.	Fiscal YTD Charges 07/01/20xx-06/30/20xx	Revisions
Smith, J.	500999 Professor	001111111	61010	Salary-PT Tenured/TenureTrack Fac.	\$ 5,000.00	
Smith, J.	193333 Extra Compensation	001111111	61013	Salary-Faculty Off Contract	\$ 15,000.00	
Henry, R.	202595 Temp Non Students	002222222	61417	Salary-Additional Help-Non Student	\$ 13,500.00	
Kelley, B.	443888 SGA Research	003333333	61050	Salary-Research/Teaching Assistant	\$ 9,400.00	
Kelley, B.	443777 SGA Research	003333333	61050	Salary-Research/Teaching Assistant	\$ 5,500.00	
Thomas, K.	601222 Postdoctoral Research Assoc	004444444	61130	Salary-Professional	\$ 60,700.00	
Thomas, K.	601222 Postdoctoral Research Assoc	004444444	61055	Postdoctoral Research Assoc/Fellows	\$ 8,200.00	
Total Fiscal Year Salary Charges:					\$ 117,300.00	

*If revisions are required, Payroll Distribution Change (PDC) forms must be completed in K2 and noted on this report. Completed certification report must be returned to NU-RES Finance by November 1, 2020

I certify that I have first-hand knowledge of (or have suitable means of verifying) that the above payroll distributions reasonably represent both work performed and salary continuity under unexpected or extraordinary circumstances consistent with university policy. I am aware that any false, fictitious or fraudulent information may subject me to criminal, civil or administrative penalties. (U.S. Code, Title 18, Section 1001)

Departmental Signature (required) _____ Print Full Name _____ Date _____

Research Annual Certification Report

Research Annual Certification Report Run Time: 16:15:57
RJUN2020XXXXXX

Reporting Period: July 01, 2019 to June 30, 2020

Fiscal Year

Grant-level Lead PI

Principal Investigator: Smith, J.

Grant-level Project Information

Grant: G00006987
 Project Start Date: 08/01/2019
 Project End Date: 07/31/2023
 Sponsor: Health and Human Services
 Award No.: R01AB123456
 Project Title: Measuring Levels of Internet Use...

Index #, Index level Title and PI

Index No.: 500789
 Index Title: HHS/1R01AB123456-01/Smith, J.

Index-level Division and Department

DIV20 Bouve College Health Sciences
 36700 School of Nursing

Employee salary charges posted in the Fiscal Year

Document revisions, PDCs, etc.

Name	Position Title	NU ID	ACCT	Acct Code Desc.	Fiscal YTD Charges 07/01/2019-06/30/2020	Revisions
Smith, J.	500999 Professor	001111111	61010	Salary-FT Tenured/TenureTrack Fac.	\$ 5,000.00	
Smith, J.	193333 Extra Compensation	001111111	61013	Salary-Faculty Off Contract	\$ 15,000.00	
Henry, R.	202999 Temp Non Students	002222222	61417	Salary-Additional Help-Non Student	\$ 13,500.00	
Kelley, B.	443888 SGA Research	003333333	61050	Salary-Research/Teaching Assistant	\$ 9,400.00	
Kelley, B.	443777 SGA Research	003333333	61050	Salary-Research/Teaching Assistant	\$ 5,500.00	
Thomas, K.	601222 Postdoctoral Research Assoc	004444444	61130	Salary-Professional	\$ 60,700.00	
Thomas, K.	601222 Postdoctoral Research Assoc	004444444	61055	Postdoctoral Research Assoc/Fellows	\$ 8,200.00	
Total Fiscal Year Salary Charges:					\$ 117,300.00	

*If revisions are required, Payroll Distribution Change (PDC) forms must be completed in K2 and noted on this report. Completed certification report must be returned to NU-RES Finance by November 1, 2020

Certification language & signatures

I certify that I have first-hand knowledge of (or have suitable means of verifying) that the above payroll distributions reasonably represent both work performed and salary continuity under unexpected or extraordinary circumstances consistent with university policy. I am aware that any false, fictitious or fraudulent information may subject me to criminal, civil or administrative penalties. (U.S. Code, Title 18, Section

Departmental Signature (required) _____ Print Full Name _____ Date _____

Monitoring Effort

Although the University's annual certification process provides the principal means for certifying that the salaries and wages are reasonable and allocable, it is important to monitor the activity devoted to those projects on a regular basis.

Best Practices:

- Meet with PIs and review salary charges at least quarterly.
- Provide financial/payroll reports to PI on a regular basis (monthly is most common).
- Review Key Personnel effort commitments:
 - I. Upon receiving new awards
 - II. Upon submission of interim progress reports
 - III. Upon hiring new staff for the project
- Ask PIs to communicate necessary changes – helpful to note in payroll reports to PIs.
- Submit Payroll Distribution Change (PDC) forms within 90 days.
- When allocating salaries, speak to reasons why the costs benefit the aims of the project.



Best Practices & Tools at Dept. Level

- Maintaining a tracker outside of the PDC system
 - Gives access to your backups when out
 - Track when PDC was submitted and set reminder to check to ensure it is processed correctly
 - Can reference previous PDCs when submitting similar PDCs to remain consistent with language / process
- Utilizing an excel calculator for calculating PI AY effort (Buyout, Cost Share, etc.)
 - Minimizes errors and helps account for all factors / inputs correctly (pay schedule, salary, duration, effort amount, etc.)
- Communicating with Dept. managers for AY effort PDCs
 - Buyouts: Communicating expected credit (salary + fringe) to the dept.
 - Cost Share: Communicating expected credit (salary + fringe) and anticipated dept. contribution for the JV that will be funding cost share index

	16 pay	24 pay
IBS Salary	\$ 100,000	\$ 100,000
Annual Payments	16	24
\$ amount to Transfer	\$ 12,500	\$ 12,500
PDC Duration	4	4
Monthly Salary PMTs:	\$ 12,500	\$ 8,333
Total Sal for PDC Period	\$ 50,000	\$ 33,333
% to PDC onto award:	25.00%	37.50%
% Staying on Dept.:	75.00%	62.50%
Sal Divided by 8	\$ 12,500	\$ 12,500
Months of Effort	1.00	1.00

NURES Finance Compliance Review

PDCs and PAPs allocating charges to sponsored projects (5-ledger index) are reviewed by Senior Compliance Specialist in NU-RES Finance. Review focuses on allowability, documentation, and timeliness.



Compliance Checks	Red Flags
<ul style="list-style-type: none"> ✓ Project/index is active and has an available budget balance ✓ Costs are within the period of performance ✓ Forms include a brief description of the work performed ✓ Key Personnel effort reductions do not trigger a prior approval request ✓ >90 days requests include a justification for delay Other: <ul style="list-style-type: none"> ✓ NIH salary cap ✓ PI effort ≤ 95% effort ✓ Summer compensation ≤ 3.2CM 	<ul style="list-style-type: none"> × Costs transferred long after the original charges were recorded (>90 days) or impact a closed effort certification period × Transfers supported by inadequate documentation or justification × Shifting salaries to relieve a deficit on another project × Significant increases in effort/salary without proper justification × Transfers that spend out a project × Multiple reallocations for the same pay period (i.e. rewriting history)



Case Scenarios – Effort vs. Salary

#1 – NU receives a new grant where the PI's effort is 2 calendar months. PI confirms they will be working on the project and instructs department administrator to use the entire salary budget to pay for staff/students that will also work on this project.

Why is this a problem?

- The PI's effort is not being incorporated into the official records of the University.
- PI's salary will not show up in the annual certification corresponding to the project → effort = 0%.
- How will we demonstrate that the PI certified their effort/work on the project during an audit?

Best Practices:

- Explain effort reporting process and requirements to PIs.
- If funding is limited and there are budget constraints, find other ways to rebudget (such as paying non-key personnel from discretionary sources).

Case Scenarios – Invoicing

#2 - We are 6 months into a project and Banner shows minimal spending to date. PI receives email from sponsor asking why invoicing is delayed. PI and Department Administrator meet and submit several PDCs dating back to the project period start date.

Why is this a problem?

- All PDCs are >90 days and additional justification will be needed.
- Next invoice will be large. Sponsor may request additional supporting docs.
- If expenses were transferred from another grant, now that grant will have a gap in expenses.

Best Practices:

- Meet with PI to discuss effort allocations upon receiving new Grant/Index from NURES Finance.
- Distribute financial and payroll reports to PIs on a regular basis, in order to prevent delays in allocating expenditures during the life of the project.

Case Scenarios – Charges at Closeout

#3 - Department Administrator receives notification from NURES Finance that a Final Financial Report through 4/30/22 is due this month (June). Grant has a significant unspent balance remaining to date. Dept. Administrator submits PDCs for work performed in April 2022.

Why is this a problem?

- Charges near the project end date are under additional scrutiny and require project-specific justification.
- PDCs may be < 90 days, but bulk of retro payroll charges will post after the end date.
- Charges posted after the project end date are a high risk for audit findings.
- Manual adjustments to final invoices or final LOC draws are challenging to process/track.

Best Practices:

- When meeting with PIs, set time apart to review projects nearing closeout.
- If the project is not complete and work is ongoing, request no-cost extensions as soon as possible.
- Review 60-day closeout notices from NURES Finance and process final PDCs before the grant ends.

Key Takeaways

1. Compliance is a shared responsibility!
2. Discuss effort allocations with PIs upon receiving Banner award setup notifications.
3. Apply charges in accordance with Uniform Guidance (reasonable, allocable, and allowable) and University policies (IBS Rate).
4. Ensure allocations are commensurate with the level of effort/work on the sponsored projects.
5. Distribute payroll reports to PIs on a regular basis. Active monitoring of personnel effort and salary expenditures will help ensure that PDCs are processed timely.
6. When processing PDCs or PAPs, verify each Index is active, has an available budget balance, and include justifications that speak to work performed in support of the aims/scope of the project.
7. Confirm salary allocations are consistent with the information provided in RPPRs or other interim progress reports.

Thank you!

Questions?

Charlie Colvin: c.colvin@northeastern.edu

Fred Cromp: f.cromp@northeastern.edu

Fiorella Chavez: f.chavez@northeastern.edu