



# LATE SALARY DISTRIBUTION CHANGE REQUESTS: HELPFUL HINTS

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## *Overview*

Salary distribution changes can be made directly within the electronic salary distribution system (eSDS) up to 90 days past the end of a fiscal year quarter. After this time period, the distribution changes are considered to be late, and a late salary distribution change request must be submitted electronically through SAPWeb. The Office of the Vice President for Finance (VPF) is responsible for reviewing and making decisions on requests for salary distribution changes beyond the 90-day window after the end of a fiscal year quarter.

A late salary distribution change indicates that the initial distribution was not handled properly, and the reason for the change must be fully documented for audit purposes. When salary transfers involve sponsored cost objects, there will be considerable scrutiny of the reason for the transfer. Retroactive salary changes impacting time periods more than six months past the end of the eSDS review period will be approved for transfer on an exception basis only when VPF can determine that these costs are allowable.



## *Transferred costs must be allowable.*

- For a cost to be allowable on a specific sponsored award, it must be reasonable, allocable and consistently treated.
  - A cost is reasonable if it is necessary for the performance of the specific sponsored award and would have been incurred by a “prudent person” for the services obtained.
  - A cost is allocable if its benefit to the specific sponsored award can be demonstrated.
  - A cost is consistently treated if it is always institutionally treated as either a direct cost of research or an indirect (Facilities and Administrative; F&A) cost of research.
- If a cost benefits two or more sponsored projects or other activities in proportions that can be readily determined, that cost must be allocated to each activity based on the proportional benefit.
- If a cost benefits two or more sponsored projects or other activities in proportions that cannot be readily determined due to the inter-relationship of the work involved, that cost may be allocated to each activity using a reasonable basis.

*Appropriate reasons for approval of an exception may include changes necessary to:*

1. Correct an over billing to a sponsor;
2. Correctly reflect cost sharing commitments;
3. Distribute charges to a cost object that has been established retroactively due to late award by the sponsor;
4. Move costs from suspense to a valid cost object when review confirms that an individual's distribution has been applied to the receiving cost object before and/or after the cost in question was incurred showing consistency;
5. Correct a distribution when written approval from the sponsor is available to support the retroactive distribution;
6. Move costs off of a sponsored cost object to a non sponsored cost object when the costs have been deemed inappropriate to the sponsored award;
7. Move costs between cost objects when none of the cost objects involve sponsored funds;
8. Move costs between child accounts within the same award;
9. Make corrections so that salary and tuition charges for a graduate student correspond; and
10. Appropriately reflect appointments to sponsored training grants in accordance with the guidelines of the award.



*Project overruns:*

If a project has an overrun, there is a presumption that any proposed cost transfer is to alleviate the overrun, and the barrier is very high for these types of transfers. To bring the project into balance, a funding entry must be made, using the "record project overrun" GL account, 420314.

*Administrators must document the justification for the transfer, including:*

- The benefit to the receiving project;
- Allowability and allocability of the charge to the new sponsored project;
- The reason for any delay in the timely processing of the transfer;
- How systemic causes are being addressed so they will not recur, and
- Indication that the cost transfer was reviewed by someone knowledgeable about the project, such as the Principal Investigator.

## *Examples of acceptable justifications for salary cost transfers:*

A good justification will allow anyone reviewing the cost transfer to understand the reason the transfer was made and how the expense benefits the receiving sponsored project.

### **Example 1:**

***Transfer between two child accounts under the same award / parent*** - Postdoctoral associate Dr. John Smith is co-supervised by Profs. Song and Rivers. Dr. Smith is working on two research projects. When his appointment was renewed, it was applied 100% to Prof. Song's cost object 6543210, rather than split equally between both projects. This requested change for the period of January 16 through March 31, 2011 distributes costs 50% to 6543210 and 50% to 6543211, reflecting the work devoted to each project. Both cost objects are children of the same parent and are on the same task order of the laboratory contract. The portion for April 1, 2011 onward has been changed through eSDS. This change simply moves the expense between MIT cost objects, but will not change any billing to the Sponsor.

### **Example 2:**

***Late sponsor approval*** - Prof. Jones has verified that graduate student Sarah Star has been devoting 100% effort to the project entitled "Oxygen and Water" since March 1, 2011. Due to delays in finalizing the award from the sponsor Earth Foundation, the cost object was not activated until June 1, 2011 with a retroactive start date of March 1, 2011. During this waiting period, the research assistant wages and tuition for Sarah were charged to Prof. Jones' discretionary cost object 2345678. Moving these costs to the research cost object 6123456 effective March 1 through May 30, 2011 will reflect the effort devoted to this project. The portion for June 1, 2011 onward has been changed through eSDS.

VPF

### **Example 3:**

***Cross department miscommunication*** - Prof. Xanadu appoints graduate students through the Academic Department, but handles research grants through the Research Laboratory. When the graduate student appointment for Ella Blue was processed for the spring term, an expired research cost object for the Laboratory was used, and the student's wages and tuition fell into the Department suspense cost object 1234567. During a recent review of the Department suspense cost object, we identified the correct cost object for this appointment as 6921234. In order to minimize future occurrences of this nature, we are improving communication channels between the Department and the Research Laboratory. The requested change will correct the distribution for January 16 through March 31, 2011. The distribution has been corrected within eSDS effective April 1 through the remainder of the spring term.

Learn more about policies concerning cost transfers at: [>>](http://osp.mit.edu/grant-and-contract-administration/managing-project-costs/cost-transfers)