

# Correcting Document Guide



*The preparation and thought process behind cost distribution changes and journal vouchers.*

# Table of Contents

- ACRONYMS .....4
- WEBSITE REFERENCE for CORRECTING DOCUMENTS ..... 5
- INTRODUCTION.....6
- IMPORTANCE OF CORRECTING DOCUMENTS ..... 6
- DEFINITION OF SPONSORED PROGRAM ACCOUNTS.....7
- DETERMINATION OF ALLOWABLE/ALLOCABLE COSTS ..... 7
  - Allowability vs. Allocability ..... 7
  - Questions to Ask Regarding Allowable/Allocable Costs*..... 8
- ROLES AND RESPONSIBILITIES ..... 8
  - Roles in Financial Management ..... 8
  - Roles in the Correcting Document Process..... 9
    - Preparer: ..... 9
    - Preparer continued: ..... 10
    - Preauditor: ..... 11
    - AG Accountant/Business Manager: ..... 12
    - SPS:..... 12
    - Accounting Services: ..... 12
    - Managerial Accounting Services: ..... 12
    - Special Considerations: Funds 3401xxxx and 3451xxxx..... 13
- CATEGORIES OF CORRECTING DOCUMENT TRANSACTIONS..... 14
  - Corrections Not Requiring Certification..... 14
  - Corrections Requiring Certification..... 15
- CONTINUATION ACCOUNTS..... 16
  - Competing Continuation* ..... 16
  - Non-Competing Continuation* ..... 16
- NEW ACCOUNTS and NOTICE TO PROCEED..... 16
- PAYROLL DEFAULT ACCOUNT ..... 17
  - What is the Payroll Default Account? ..... 17
  - Expectations for reviewing Payroll Default Account ..... 17
  - What causes the payroll transaction to post to the Payroll Default Account? ..... 17
  - How do I know an entry processed to a payroll default account? ..... 17

CORRECTING/ADJUSTING PAYROLL.....	18
Cost Distribution Change Form (CD-01) General Overview.....	18
Definitions.....	18
Reporting Period.....	19
Documents used to correct entries posted to payroll default fund:.....	19
PREPARING the CD-01.....	20
PREPARING the PAR.....	21
COST DISTRIBUTION CHANGE DEADLINES.....	22
CORRECTING NON-PAYROLL TRANSACTIONS.....	23
JV/FV50 General Overview.....	23
Project Certification.....	23
Voluntary Cost Sharing (VCS).....	23
Preparing the JV/FV50.....	24
TEMPLATE for PREPARING - FV50, CD-01, & PAR's.....	25

## ACRONYMS

CD-01	Cost Distribution Change Form
CAS	Cost Accounting Standards
G/L	General Ledger
IO	Internal Order
IT27	Infotype 27 (cost distribution PA30)
JV (FV50)	Journal Voucher
NTP	Notice to Proceed
PAR	Personnel Activity Report
PERNR	Personnel Number
PI	Principal Investigator
PP	Pay Period
PRF	Purdue Research Foundation
RIO	Real Internal Order
SIO	Statistical Internal Order
SP	Sponsored Program
SPS	Sponsored Program Services
USDA	U.S. Department of Agriculture
VCS	Voluntary Cost Sharing

## WEBSITE REFERENCE for CORRECTING DOCUMENTS

Accounting Contacts -

[http://www.purdue.edu/business/account/General\\_Information/Staff\\_Directory/index.html](http://www.purdue.edu/business/account/General_Information/Staff_Directory/index.html)

Account Management Guidelines for SPS funds -

[http://www.purdue.edu/business/sps/pdf/Account\\_Management\\_Guidelines\\_for\\_SPS\\_Funds.pdf](http://www.purdue.edu/business/sps/pdf/Account_Management_Guidelines_for_SPS_Funds.pdf)

CAS Guidelines - [https://www.purdue.edu/business/mas/BPM/CAS\\_Guidelines/index.html](https://www.purdue.edu/business/mas/BPM/CAS_Guidelines/index.html)

Managerial Accounting Services Contacts -

[http://www.purdue.edu/costing/General\\_Information/staffDirectory.html](http://www.purdue.edu/costing/General_Information/staffDirectory.html)

NTP Instructions - <http://www.purdue.edu/sps/pdf/NTPinstructions.pdf>

NTP Form - <http://www.purdue.edu/sps/pdf/ntp.pdf>

Payroll Calendars - <http://www.purdue.edu/business/payroll/Calendars/>

Pre-audit Process Guide - <http://www.purdue.edu/business/sps/pdf/preauditprocess.pdf>

Preauditor Listing - [http://www.purdue.edu/business/sps/postaward/accountmgmt/preaudit/pa\\_curnt.html](http://www.purdue.edu/business/sps/postaward/accountmgmt/preaudit/pa_curnt.html)

SAP - <https://erp-portal-prd.itap.purdue.edu/irj/portal>

SPS Contacts - <http://www.purdue.edu/sps/general/staffDirectory.html>

## INTRODUCTION

This packet was prepared to serve as a training and resource manual in the preparation of correcting documents, including CD-01's and FV50's.

This document addresses issues regarding the importance of correcting documents, the roles of all individuals in the process, and the definition of relevant terms. The use and preparation of each document is discussed in detail.

Additional information regarding the pre-audit process can be located in the Pre-audit Process Guide:  
<http://www.purdue.edu/business/sps/pdf/preauditprocess.pdf>

Additional information regarding allowable costs to sponsored programs can be found in the Cost Allocation Guidelines for Charges to Sponsored Programs:  
[https://www.purdue.edu/business/mas/BPM/CAS\\_Guidelines/index.html](https://www.purdue.edu/business/mas/BPM/CAS_Guidelines/index.html)

### IMPORTANCE OF CORRECTING DOCUMENTS

University procedures are established in accordance with federal accountability requirements contained in Office of Management and Budget (OMB) Circular A-21 "Cost Principles for Educational Institutions." For full text of OMB Circular A-21 See: <http://www.purdue.edu/business/sps/pdf/a21.pdf> Federal agencies are concerned about the number of instances where costs are adjusted between, to, or from sponsored project accounts after the original charges have been certified as correct and recorded on the University's accounting records. Identification and correction of errors with the exception of salary transfers generated from effort reports must be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days from the end of the calendar month in which the transaction appeared on the project. In accordance with account management guidelines, closing costs should process within sixty (60) days of expiration of the project.

- Timeliness also illustrates our commitment to provide quality accounting service to our customers.
- Federal agencies allege that frequent, tardy, unexplained, or inadequately explained cost transfers or corrections, particularly where they involve projects with cost overruns or unexpended balances, raise serious questions about the propriety of adjustments as well as the overall reliability of the University's accounting system and internal control.
- In project audits, it is the responsibility of the department involved to reimburse the sponsoring agency for the amount of any cost that is determined to be unallowable.

## DEFINITION OF SPONSORED PROGRAM ACCOUNTS

Sponsored program accounts include projects funded by federal, state and local governments, foreign (international) governments, industrials, foundations, societies, universities, and Purdue University/Purdue Research Foundation (PRF) funds managed by Sponsored Program Services (SPS).

## DETERMINATION OF ALLOWABLE/ALLOCABLE COSTS

Determination of allowability and allocability of costs is the first step in the correcting document preparation process.

### Allowability vs. Allocability

Allowable Costs: In order for any cost to be charged to a sponsored program it must first be allowable. There are four separate criteria that must be met before the cost can be determined to be allowable, A-21 describes the basic considerations affecting the allowability of costs: “The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.”<sup>1</sup>

To determine if an expense is reasonable, one must consider whether both the price of the item and the quantity requested are appropriate given the circumstance prevailing at the time the procurement was made. Does the price of the item reflect its fair market value?

To determine whether a cost is allocable, one must first determine whether there is benefit to the project. Is the item necessary to conduct the work of the project?

Allocable Costs: Cost allocation is the process of assigning charges to benefiting accounts in accordance with the relative benefits received. The rules for cost allocation clearly state that similar costs, in like circumstances, must be allocated consistently as either direct costs or indirect costs.

The Costing/Charging instructions for Sponsored Programs

([https://www.purdue.edu/business/mas/BPM/CAS\\_Guidelines/index.html](https://www.purdue.edu/business/mas/BPM/CAS_Guidelines/index.html)) documents the University’s practice for charging costs as either a direct or indirect cost. The Principal Investigator (PI) is responsible for determining the allocation of direct costs to a particular project.

---

<sup>1</sup> OMB Circular A-21 “Cost Principles for Educational Institutions” revised 1996. Section C.2. Factors Affecting Allowability of Costs. Emphasis added.

## Questions to Ask Regarding Allowable/Allocable Costs

Addressing the following questions can be useful in determining the allowability or allocability of an expense.

- Is there documentation of “direct knowledge and/or technical expertise” and is it recorded for future reference? This refers to the supporting documentation maintained in the Business Offices file.
- Are the funds available?
- Is the funding distribution appropriate?
- Is the acquisition/expense/activity reasonable?
- Is the timing appropriate (within the project period)?
- Does this acquisition/expense/activity conform to limitations, i.e., is it allowable on the account?
- Is the acquisition/expense/activity receiving consistent treatment?
- Costs are of benefit to the project and the entry is not processed based solely on convenience or availability of funds.
- Can proportional benefit be determined if two or more projects are used?
- Is the item necessary to conduct the work of the projects to which it is being charged? Can the cost-benefit relationship be demonstrated?

## **ROLES AND RESPONSIBILITIES**

### **Roles in Financial Management**

“The Dean, Director, and Department Head are the Chief Administrative Officers for their area of responsibility and, as such, are expected to manage all programs and funds within their areas of responsibility in accordance with University rules, regulations and policies. The financial responsibility of the Dean, Director, and Department Head includes an assurance that costs are allocated appropriately to the various funding sources under their control, including sponsored programs...”

“Business Managers<sup>2</sup> have been assigned primary responsibility for assisting Chief Administrative Officers in fulfilling their fiscal responsibilities. Business Managers provide assistance in the determination of allowability of costs and assistance in the determination of appropriate costs allocation techniques.”<sup>3</sup>

Each of the roles described below includes specific operational steps to insure accurate document preparation, review, routing and processing. ***Implicit in each role and most important is the assurance from each staff member that there is an understanding and certification of allowability in terms of time period, prior approvals, etc., and assurance that the charge is not restricted by the funding agency.***

---

<sup>2</sup> Positions formerly identified as Business Administrators are now titled ‘Business Managers’, ‘Business Assistants’ and ‘Account Assistants’

<sup>3</sup> Cost Allocation Guidelines for Charges to Sponsored Programs.



## Roles in the Correcting Document Process

### Preparer:

- Assure funds availability.
- Prepare the JV/FV50 or CD-01 in accordance with the document preparation guidelines.
- Verify:
  - Proper document type is used
  - Debits equal credits
  - G/L Account, Order or Cost Center, and Fund are valid
- Explanations (reason for entries) must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the situation can fully understand why and how the error occurred, understand the corrective action, and find it appropriate. Remember that a correcting document is changing an expense which has already been certified to an account. The explanation must clearly address why the change is needed.
- Assure proper backup documentation is available to establish that the cost is properly allocable to the project to be charged. This documentation normally includes the signature of the PI or someone with first-hand knowledge of the transaction.
- Prepare document in accordance with the Guidelines for Budgeting, Allocating and Charging Costs to Sponsored Programs; assure that allowability, allocability, reasonableness and timeliness have been carefully considered and the change deemed appropriate.
- Assure that **under no circumstances** are costs moved to a federally sponsored or federally appropriated account solely for convenience or fund availability.
- Assure that the proposed transaction will correct the identified error.
- Correcting documents, with the exception of salary transfers generated from effort reports must be prepared and submitted as soon as the need for the correction is identified but no later than 90 days from the end of the calendar month in which the transaction appears on the project. A shorter correction period may be necessary near the project end date. Final financial reports are typically due to sponsors 30 to 90 days after the project end date. This requires that all corrections be completed expeditiously
- In accordance with account management guidelines, closing adjustments are to be processed within sixty (60) days of the expiration of the project.
- Obtain PI certification when necessary. (Certification is not required on Unrestricted Voluntary Support accounts. The fund for unrestricted voluntary support managed by SPS is 49010000 and the expiration date for the grant is 12/31/2075).

**Preparer continued:**

- Obtain authorized signature of your Business Manager, or other individual as appropriate.
- If appropriate, mark and *highlight in yellow*:
  - CD-01 120-day approval request
    - Any bi-weekly payroll correction being made after 120 days from the date of the original charge (pay date) should be considered as questionable and requires special approval to correct. The 120-day period is calculated from the pay date of the pay period being adjusted, to the day the document is posted into the system. The Calendar of Pay Dates identifies the 120-day rule date for each pay period. These corrections require an explanation and preauditor signature.
  - Post-PAR approval request
- PARs received in Managerial Accounting Services after the established deadline that change the cost distribution are considered post PAR changes and require an explanation and preauditor signature. (<http://www.purdue.edu/business/payroll/Calendars/>) Assure that the document is forwarded to the proper office in a timely manner for processing.

**JVs/FV50s:** Funds 3401xxxx and 3451xxxx and 4101xxxx-4901xxxx – forward to the designated college, school, area, or regional campus preauditor; all other funds forward directly to Accounting Services.

**CD-01:** Funds 3401xxxx and 3451xxxx and 4101xxxx-4901xxxx – forward to the designated college, school, area, or regional campus preauditor; all other funds forward directly to Accounting Services.

**PAR:** Funds 3401xxxx and 3451xxxx and 4101xxxx-4901xxxx **AND**

- Post-PAR\* (30 days after PARS are distributed) or
- Revised PAR\*

\*Forward to designated college, school, area, or regional campus preauditor. These documents represent a change to the way the effort was previously certified, a Post Period adjustment, or a correction to an SPS account. All other PAR's forward directly to Managerial Accounting Services.

\*If the above documents for funds 3401xxxx & 3451xxxx, change activity from prior Federal fiscal year (Federal fiscal year is October 1 – September 30), then a change must have the approval of the Ag Accountant/Business Manager. For example, if a PAR is adjusting a Fall PAR for someone paid on one of these funds, approval/review is needed as the September distribution **cannot** be changed.

## Preauditor:

- Assure compliance with the document preparation guidelines.
- Assure that the explanation contains sufficient information to support the correction.
- Assure that the document has appropriate certifications to establish allocability.
- Verify document prepared in accordance with the Cost Allocation Guidelines for Charges to Sponsored Programs; assure that allowability, allocability, reasonableness and timeliness have been carefully considered and the change deemed appropriate.
- Assure that **under no circumstances** are cost moved to a federally sponsored or federally appropriated account solely for convenience or funds availability.
- For funds 3401xxxx and 3451xxxx, the Preauditor should assure that the document does not change activity from a prior Federal fiscal year (Federal fiscal year is October 1 – September 30). Any such changes must have the approval of the AG Accountant/Business Manager.
- If the document requires a revision or correction, take appropriate steps to communicate the required revision and initiate the appropriate corrective action.
- Provide feedback and explanation to the preparer about the required change.
- Assure that the document is forwarded to the proper office in a timely manner for further processing:
  - CD-01 with 120-day approval request:
    - Funds 3401xxxx and 3451xxxx; Forward to AG Accountant/Business Manager
    - Funds 4101xxxx-4501xxxx; Forward to Managerial Accounting Services
- Documents which should not be pre-audited:
  - Correcting documents which do not include funds: 3401xxxx, 3451xxxx, and 4101xxxx-4501xxxx.
  - CD-01's\* (for exempt employees)
  - Original PAR's

\*If the above documents for funds 3401xxxx & 3451xxxx, change activity from prior Federal fiscal year (Federal fiscal year is October 1 – September 30), then the change must have the approval of the AG Accountant/Business Manager. For example, if a CD-01 is adjusting the Fall PAR for someone paid on one of these funds, approval/review is needed as the September distribution **cannot** be changed.

### **AG Accountant/Business Manager:**

Must authorize entries for funds 3401xxxx and 3451xxxx including delegation for:

- CD-01 120-day approval
- All correcting documents

### **SPS:**

- CD-01 120-day approval

### **Accounting Services:**

- Reviews for authorized preauditor signature
- Approves document for processing
- Responsible for obtaining proper approvals

### **Managerial Accounting Services:**

- For PAR:
  - If 120-day is checked, audits for AG Accountant/Business Manager and/or SPS approval(s)
  - Reviews for authorized preauditor signature
  - Approves post-PAR period adjustment
  - Approves effort adjustments for less than five (5) percent
  - Adjustments that correlate to a change to the previously certified effort reported on the PAR

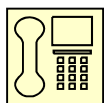
### Special Considerations: Funds 3401xxxx and 3451xxxx

Funds 3401xxxx and 3451xxxx are used by Colleges of Agriculture (AG), College of Health and Human Sciences and the School of Veterinary Medicine (VET) exclusively. Included in this fund range are the Federal appropriations which Purdue receives from the Smith-Lever, Hatch, Animal Health, and McIntyre-Stennis Acts (funds 3401xxxx and 3451xxxx).

The Ag Accountant/Business Manager is primarily responsible for preauditing correcting documents on this fund range. That individual is also responsible for approving post-PAR and 120-day corrections. In the Ag Accountant/Business Manager's absence, preauditors in the College of Agriculture may perform these functions.

When preparing correcting documents involving these funds, three "rules" must be kept in mind:

- **Divisionality** should be avoided. Divisionality represents transactions which move expense between funds of different flavors. The College of Ag, CFS and School of VET classify funds according to three distinct missions: extension, research and instruction. Because of matching considerations for the Federal appropriations and the distinct character of each mission, expenses should be moved among funds of similar character. For example, 21030000 (research general) funds should be used to clear an overdraft on a 4xxxxxxx account to accomplish voluntary cost sharing. Use of 21020000 or 21010000 funds in the same situation would not be appropriate.
- **Timing.** The Federal fiscal year is October 1 through September 30. Transactions which have been posted to one fiscal year cannot be moved after September 30. As part of the Federal year end closing process, two system updates are run in October. The 9/31 and 9/32 updates are the last opportunity to make corrections before the Federal fiscal year closes and reports are submitted to U.S. Department of Agriculture (USDA).
- **Cost sharing.** Federal appropriations funds may not be used for cost sharing. OMB Circular A-110 prohibits matching Federal funds with Federal funds. This includes the Federal appropriations as well as Federal funds in the SPS fund range 4xxxxxxx.



Any questions regarding funds 3401xxxx and 3451xxxx should be directed to the AG Accountant/Business Manager.

## **CATEGORIES OF CORRECTING DOCUMENT TRANSACTIONS**

Correcting documents are required for a variety of reasons but they all can be separated into one of two categories: correcting documents which require certification and those which do not. Listed below are examples of reasons for corrections and the identification of whether they require certification.

### **Corrections Not Requiring Certification**

- 1) Obvious typographical, data entry or transposition errors.
- 2) Incorrect G/L for non-salary items.
- 3) Changing the distribution of a monthly exempt employee with a CD-01 prior to the end of the effort reporting period.
- 4) Charges being moved to a non-competing continuation account (Non-competing continuations are defined in the next section).
- 5) Movement of charges between Internal Orders/Sponsored Programs within the same grant.
- 6) Movement of charges from sponsored program accounts which are being recorded as voluntary cost sharing (VCS) for the previously charged account.
- 7) Movement of charges to new accounts which have been established as the result of a responsible cost center change within the university accounting system (when only change to the account distribution is the department number).
- 8) Movement of charges to an Unrestricted Voluntary Support account. The fund for unrestricted voluntary support managed by SPS is 49010000 and the expiration date for the grant is 12/31/2075.

## Corrections Requiring Certification

- 1) Changes to the effort recorded for non-exempt employees after the pay period has been certified. This certification occurs when the time card is signed.
- 2) Revised PARs for exempt employees.
- 3) The transfer of an expense from an account that received no benefit from the charge to a sponsored program account that did receive the benefit.
- 4) The transfer of an expense between two or more closely related projects.

***These transfers are only allowable when the relatedness of the projects has been established and documented to the occurrence of the original costs.***

Documentation must show that the following conditions have been met:

- a) It was disclosed in the project proposal or there is language in the award agreement that the same (similar) work is conducted with funds from other sponsors  
**AND**
- b) The projects benefit each other such that the research or area of investigation is aimed at the same subject matter.

Due to strict conditions that have to be met to allow a transfer between closely related projects, these types of transactions rarely occur.



***These types of transactions should be discussed with a Sponsored Program Account Manager (funds 4101xxxx-4901xxxx) or an AG Accountant/Business Manager (funds 3401xxxx and 3451xxxx) prior to preparation of the correcting document.***

## CONTINUATION ACCOUNTS

Sponsored programs are often continued by the same sponsoring agency through multiple consecutive awards. These continuation grants can be classified as either competing or non-competing.

### *Competing Continuation*

*A competing continuation is the continued funding of the same research or activity by the same sponsor where the project has been evaluated for funding against other proposals received by that sponsor.*

### *Non-Competing Continuation*

*A non-competing continuation is where a PI has received approval that his/her project will be supported for a certain period; however, the budget will be awarded for a portion of that period, usually 12 months. Continued support for the remaining period(s) is based upon satisfactory progress and availability of funds. Some sponsors require that a proposal and/or budget must be submitted for each budget period. The continued support is not subject to independent objective review procedures and does not compete with other applications for funding.*

## NEW ACCOUNTS and NOTICE TO PROCEED

Often, correcting documents can be avoided through proactive account management. When information is received that a proposal is to be funded, but the actual awarding documents have not been received by SPS, we may establish a Notice to Proceed (NTP). The NTP is established via the SPS Form 27 and provides an Internal Order (IO) for use prior to receipt of the actual award. The NTP form is available on the SPS website at the following location: <http://www.purdue.edu/sps/pdf/ntp.pdf>

The benefits of requesting the NTP are:

1. The correct account number is established in a timely manner,
2. Charges are recorded in the appropriate account number which ensures accurate accounting and reporting, and
3. Fewer correcting documents are required.

Complete NTP instructions are also available on the SPS website at the following location:

<http://www.purdue.edu/sps/pdf/NTPinstructions.pdf>

If you have any questions regarding the establishment of a Notice to Proceed for a specific proposal, please contact the appropriate Sponsored Program Research Specialist.



## **PAYROLL DEFAULT ACCOUNT**

### **What is the Payroll Default Account?**

Payroll Default Account is a temporary shelter for payroll transactions posted in error due to distribution of the payroll not being keyed correctly or prior to the deadline.

### **Expectations for reviewing Payroll Default Account**

It is the expectation the Payroll Default Account is reviewed on a monthly basis to clear payroll charges to the appropriate accounts. The Payroll Charge T-Code ZHR\_Pay\_Posting is what is used to determine what has been charged in error to the Default Account. Every department's payroll default account is Fund 91010000 with the appropriate departmental cost center 40XXXXXXXX.

Best practice is to run ZHR\_COST\_DISTRIB prior to the deadlines for Biweekly and Monthly payroll for your staff and verify if fund 91010000 is in the report (you can sort by fund to view these easily). Make changes to IT27 for the current month prior to payroll processing. (If correcting a previous month, you will need to follow the CD-01/PAR process.)

### **What causes the payroll transaction to post to the Payroll Default Account?**

A payroll transaction will post to the payroll default account due to the payroll distribution for the individual not being keyed during the time entry period prior to the deadline. The following PA actions will cause the IT0027 record to revert back to the 91010000 fund once processed: New Hire, Rehire, Add Additional Appt, and/or Transfer and will require review. Payroll expenses may also be charged here if no IT0027 (Cost Distribution Infotype) record exists for all or a portion of the employee's employment period.

### **How do I know an entry processed to a payroll default account?**

The business office should run the t-code ZHR\_PAY\_POSTING using the default fund 91010000 and their department's cost center (40XXXXXXXX) each month. Enter a posting date range, fund, fund center, and select a layout if desired.

This report should be processed monthly and all charges that have posted to the default fund should be cleared promptly. To clear the charges, the business office should process a CD-01.

## CORRECTING/ADJUSTING PAYROLL

### Cost Distribution Change Form (CD-01) General Overview

The Cost Distribution Change Form is the form used to change the distribution of salary and related fringe benefit charges after a payroll has been posted. The business office should prepare the CD01 and obtain all required signatures. Once the form has been approved, Infotype 0027 can be changed by the time administrator and the original form should be sent to the Costing department.

### Definitions

Payroll Distribution: Payroll or salary distribution is the process of initially assigning salary charges to a sponsored project and other University activities based on reasonable estimates of how the employee expended his/her effort during the payroll period.

Effort Certification: The affirmation by the individual completing the Personnel Activity Report (PAR) form that the distribution charges reflect a reasonable estimate of the work performed during the given Effort Reporting Period and that the percentages of Total University Effort expended on each Sponsored Project during the reporting period meets or exceeds the percentage of salary allocated to the project.

- Non-exempt employees (paid biweekly): not exempt from Department of Labor's definition of employees eligible for overtime pay; i.e. ARE ELIGIBLE FOR OVERTIME PAY. Included in this category are clerical and service employees, operation assistants and technical assistants. Effort is recorded daily. The information is taken from the time card and entered in the SAP time entry system by the Time Administrator. Employee and supervisor certify the hours and correctness of the distribution of effort at the end of the pay period. If a change is required after the pay period, a CD01 is processed and the new effort distribution must be certified by the supervisor and the project director. Cost overrides by hour are occasionally entered for the employee by the time administrator. A cost override put in place by the time administrator will always override what has been entered into IT27 by way of a CD-01. If a cost override has been entered the time administrator may correct the override for the previous 2 pay periods through CATs. Changes more than 2 previous pay periods must come on approved CATS Cost Distribution Override Change form to the central office time administrator.
- Exempt employees (paid monthly): Exempt from the Department of Labor's definition of employees eligible for overtime pay; i.e. NOT ELIGIBLE FOR OVERTIME. Original payroll distribution is made on a provisional basis at the end of a pay period. Distribution changes are made using t-code PA30 and Infotype 0027 in SAP. If a change is required after the given pay period, a CD01 is processed within the reporting period (PAR period).

## Reporting Period

There are three reporting periods to correspond with each academic semester. These periods are defined as follows:

Fall: September 1 to December 31

Spring: January 1 to April 30

Summer: May 1 to August 31

## Documents used to correct entries posted to payroll default fund:

- Process a CD01 to correct payroll postings for ALL non effort certification eligible employees and for ALL effort certification eligible employees prior to the end of the effort period. After the form is completed and approved, the Cost Distribution Administrator (Time Administrator) may update Infotype 0027 with the approved corrections.
- Corrections for effort certification eligible employees may be processed on a PAR if the corrections are before the deadline to return PARs for that Effort Reporting Period. Costing will update Infotype 0027 to match the PAR.

A Revised PAR or Post-PAR will be necessary for corrections processed after the deadline to return PARs for that Effort Reporting Period

## PREPARING the CD-01

- 1) **Personnel No. (PERNR)** - This information can be found by persons with access to the T-code PA20 by using the search by name function. Note: In concurrent employment situations a person will have more than one PERNR. ONLY ONE PERNR PER FORM.
- 2) **Home Cost Center** - This is the persons main cost center assignment (Home Department).
- 3) **Name** - Full Name as it appears on the employee's Purdue University ID Card.
- 4) **PERs. Area, EE Group, and EE subgroup** - This information can also be found by persons with access to the T-code PA20 in SAP under the person's organizational assignments.
- 5) **Effective Dates** - This is the period of time for which the cost distribution specified is to apply.
- 6) **Cost Center and Real/Statistical Internal Order** - You may use both a cost center and a statistical internal order (if a statistical internal order is needed). However, if you enter a real internal order DO NOT ENTER A COST CENTER. The appropriate cost centers are derived for real orders in the SAP software.
- 7) **Fund** - Enter an appropriate fund. There is no validation of cost center to fund during entry; therefore, you will want to verify this yourself before entry.
- 8) **Percent Charged** - This is the percent of salary & related fringe benefits (effort) to be distributed on each account. The total percentage should always equal 100% even if the CUL does not equal 100.
- 9) **Estimated Amount** - THIS IS NOT A REQUIRED FIELD. This field is for information only. Percentages are entered. There is no field available to enter amounts on the cost distribution screen in SAP.
- 10) **Signatures** - Make sure that all of the required signatures are obtained before sending to Managerial Account Services.
- 11) **Explanation** -The reason for the correction is placed here. Information provided should include:
  - Pay period number
  - Pay period dates
  - Reason why or how error occurred
  - Reason why correction is proper/necessary
  - If the correction will move charges to a continuation account, is correct classification of continuation indicated (i.e. competing or non-competing)? See definitions for continuation accounts provided earlier in this document.
  - If entry is due to the project being set up late; indicate the document number and date of the new Notice of Award.
  - Explanation (reasons for entries) must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the situation can fully understand why and how the error occurred, understand the corrective action, and find it appropriate
  - **THE PROJECT PERIOD SHOULD BE INCLUDED FOR ALL SPS FUNDS!**
  - If the correction is not timely, explain why

### REFERENCE MATERIALS FOR REQUIRED SIGNATURES:

SIGNATURE AUTHORIZATION REFERENCE MATERIALS -

Signature Delegation -

<https://sp2010.itap.purdue.edu/businessservices/bstc/courselist/Documents/Forms/AllItems.aspx?View={D274B6C8-6B2B-43D0-BD1B-0B5F1568D090}&FilterField1=Course&FilterValue1=BLCA 250>

DEPARTMENTS TO BE CROSS CHARGED - Departments should be communicating with each other before cross charging to another department. E-mail or other documentation from the departments to be cross charged is acceptable in lieu of signature. A SIGNATURE IS NOT REQUIRED.

PREAUDITOR and SPS SIGNATURE REFERENCE MATERIALS

<http://www.purdue.edu/business/sp/postaward/accountmgmt/preaudit/index.html>

## PREPARING the PAR

PARs are distributed each semester to monthly paid staffs that were paid on a sponsored program or federal appropriation during the semester. If a monthly paid person expended effort on a sponsored program or federal appropriation during the semester, but did not receive a PAR, a blank PAR will need to be completed.

A copy of the blank PAR can be obtained on the Managerial Accounting Services website:

<http://www.purdue.edu/business/mas/>. Following are instructions for preparing the PAR.

- 1) **Person ID**- This information can be found by persons with access to the T-code PA20 by using the search by name function. Note: There can only be one Person ID per person.
- 2) **Name**- Full Name as it appears on the employee's Purdue University ID Card.
- 3) **Home Cost Center- Home Cost Center** - This is the persons main cost center assignment (Home Department).
- 4) **PERs. Area, EE Group, and EE subgroup** - This information can also be found by persons with access to the T-code PA20 in SAP under the person's organizational assignments.
- 5) **Effort Period** – Should correspond to reporting period dates outlined above for academic year staff and fiscal year staff.
- 6) **Semester**-indicate Fall, Spring, or Summer semester.
- 7) **PerNr (Personnel Number)** - This information can be found by persons with access to the T-code PA20 by using the search by name function. Note: In concurrent employment situations a person will have more than one PERNR. Certification must equal 100% per PerNr per Wage Group.
- 8) **Cost Center and Real/Statistical Internal Order** - You may use both a cost center and a statistical internal order (if a statistical internal order is needed). However, if you enter a real internal order DO NOT ENTER A COST CENTER. The appropriate cost centers are derived for real orders in the SAP software.
- 9) **Order Text**-enter text descriptive of sponsored program; i.e. PI name and sponsor.
- 10) **Grant From/Grant To**-enter project period of sponsored program account.
- 11) **Fund**-enter the appropriate fund.
- 12) **Fund Text**-indicate fund type such as General, P.U. Other SPS, Gift, etc.
- 13) **WG (Wage Group)**-used to break out salary categories (e.g. WG 1 = AY pay; WG 2 = Summer pay). Certification must equal 100% per PerNr per Wage Group.
- 14) **Salary**-enter salary amount that was charged to the account.
- 15) **%CD**-enter percentage of total salary for the PerNr and WG that was charged to the account.
- 16) **%Effort**-the person with **direct knowledge** should enter the % effort expended on the project associated with the account.
- 17) Repeat steps 7-16 for each account/project that either had salary charged to it or for which effort was expended.
- 18) **Explanation** (required for Revised PAR, POST PAR, or LATE PAR)-Answer these questions when you write an explanation.
  - a. Explain what is being corrected, include person and Par period
  - b. Explain the change being made- include account, % before change, % being changed to, and project period for SPS and AG funds.
  - c. Why is the correction proper and necessary?
  - d. If document is not timely, explain why the document is late

- e. In very rare situations an adjustment of less than 5% will be allowed, If allowed you must explain why.
  - f. PAR explanation refers ONLY to effort. Do not mention salary.
- 19) Obtain signatures-PI or someone with **direct knowledge** of the activity should sign as Staff Member or as Authorized Administrator. Revised PAR or POST PAR require Pre-Audit Signature.
- 20) Submit PAR to costing with all other PARs.

## **COST DISTRIBUTION CHANGE DEADLINES**

Cost distribution deadlines are defined on the monthly payroll calendar and can be found at the following website: [http://www.purdue.edu/business/payroll/Calendars/!](http://www.purdue.edu/business/payroll/Calendars/)

All completed and entered documents are to be returned to Managerial Accounting Services to be audited for appropriate approvals and then sent to be scanned into WebNow.

The correction will post when a payroll is run and posted for that employee's payroll area.

## CORRECTING NON-PAYROLL TRANSACTIONS

### JV/FV50 General Overview

JVs/FV50s are used to correct accounting entries for non-payroll charges and in a few rare instances, payroll charges that cannot be corrected via a CD01 or PAR (See Salary Corrections required on a JV/FV50 section). As supplies, expenses, and capital items are purchased, the PI or his/her designee authorizes the transaction. The departmental business office maintains the supporting documentation (internal requisition form, e-mail, note, etc.) which shows the PI's intention to purchase specific items on the specific source(s) of funds. It is important when preparing JVs/FV50s to determine whether the correction being made is consistent or inconsistent with the supporting documentation. If it is inconsistent, certification by the PI is required.

### Project Certification

When a correcting document is prepared for a sponsored program account, the PI certifies the allocability of the charge (this certification is not needed if the account is receiving a credit). Only the PI can certify which project received the benefit of that expense. The PI alone has knowledge of his/her projects and how all expense items are utilized. However, in his/her absence (i.e. sabbatical) the PI may delegate this responsibility to a member of his/her research team or to the department head. Ultimately, the Department Head, Director or Dean remains responsible for the cost assignment process and any budgetary implications which arise from cost assignment. Certification is not required on Unrestricted Voluntary Support fund centers.

### Voluntary Cost Sharing (VCS)

Voluntary cost sharing can be recorded for non-salary and wage expenses via a JV/FV50 using the appropriate VCS General Ledger (G/L) account or Commitment Item. VCS G/L accounts are used to record costs expended on behalf of a sponsored project but charged to a non-sponsored account. These costs must be allowable and allocable to the sponsored project but are transferred to a non-sponsored account due to insufficient funds available on the project. The use of these G/L accounts ensures expenditures are not included in any overhead pool. In addition, should an audit occur, these G/L accounts would capture expenditures that benefited the project and could reduce the financial impact to the department for any potential audit disallowance.

The VCS G/L accounts for S&E are listed below with the activity type applicable to each

527010	S&E VCS Research
527020	S&E VCS Instruction
527030	S&E VCS Other Sponsored Programs

It is important to use these G/L accounts appropriately so expenditures can be included in the proper indirect cost pool for preparation of the cost study.

## Preparing the JV/FV50

- 1) Execute t-code FV50.
- 2) Select document type SA (Journal Voucher) from a drop-down menu. Use this functionality for any other document types you might need. Note: if you don't see a Document Type field, click "Editing Options" and select "Document type ready for input" in the "Doc. Type option" section at the bottom part of the screen, then click "Save" to change user master.
- 3) Determine reference information. Needed data includes:
  - 4) Document header (brief purpose of the document)
  - 5) General ledger (GL) account
  - 6) Fund
  - 7) Cost Center
  - 8) Internal Order (real or statistical)
  - 9) Debit/Credit amount
  - 10) Text (brief explanation of line item)
  - 11) Long text (State how the error occurred and why the correction is appropriate. If correction will move charges to a continuation account, is correct classification of continuation indicated (i.e. competing or non-competing). If entry is due to project being set up late; indicate the document number and date of the new Notice of Award. Explanations must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the transaction will understand the transaction. Include reference to the date and the document you are correcting. ***If correction is not timely, explain. THE PROJECT PERIOD SHOULD BE INCLUDED FOR ALL SPS FUNDS***)
- 12) Follow the instructions for FV50 BPP, "Park GL Account Items." Instructions can be found at OnePurdue Help under Finance and General Ledger.
- 13) Print the document. Since there is no workflow, print both the document and any long text entered, staple the two together.
- 14) Stamp the front page of the document with a signature stamp. The stamp will indicate who needs to sign the document (for example, the business manager or PI).
- 15) Route for approval. Obtain approvals from:
  - 16) Fiscal Administrator/Business Manager
  - 17) PI (when needed-see signature delegation training)
  - 18) PreAuditor (when needed-see signature delegation training)
  - 19) Budget and Fiscal Planning (when accompanying a FMBB-B&FP will then route to ACCT)
  - 20) Accounting Services (when routing a stand-alone JV, the document will route for departmental/college signatures, and then to Accounting.
- 21) The department should either keep a copy of the printed document with the back-up documentation or write the document number on the back-up documentation.
- 22) Once the document has posted, review the impact of the document. Review the account report, transactions, or balances to confirm that the document processed correctly and had the desired impact.



## TEMPLATES for PREPARING - FV50, CD-01, & PARs

Templates on following pages should be utilized when preparing correcting documents.

**\*\*\* Note: The explanation must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the situation can fully understand why and how the error occurred, understand the corrective action, and find it appropriate**

## Correcting Document Guidelines for Preparing - FV50 involving Sponsored Projects

NOTE: These guidelines are meant to serve as a supplement to the [Correcting Document Guide](#).

Anytime a correction is initiated an assumption is formed that the original transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and the justification for moving those charges.

If a project has an overdraft, there is a presumption that any proposed correction is to alleviate the overrun and may not be transferred to another sponsored project merely for the sake of resolving a deficit or an allowability issue.

Criteria for corrections involving sponsored projects must:

1. Conform to University and sponsor policies (is it allowable, allocable, and reasonable?)
2. Be Timely
  - a. Cost transfers should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days from the end of the calendar month in which the transaction appears. A shorter period may be necessary near the project end date.
  - b. Cost transfers exceeding this time frame will require additional documentation as to why the transfer request was not made in a timely manner.
3. Cost transfers must contain a justification that clearly shows:
  - a. Allowability and allocability to the new sponsored project.
  - b. Reason for the correction.
  - c. Reason for the delay in the timely processing of the transfer if the transfer date exceeds the time frame listed above (2, a).
  - d. System generated errors that created a need for the correction has been corrected to prevent future errors.
  - e. It was reviewed by a person who has first-hand knowledge on the use of the service or item being corrected.
4. Utilize the Correcting Document Template

A good justification will allow anyone reviewing the correction to understand how the expense benefits the receiving sponsored project. It should answer the questions listed in 1-4 above. ***It should be easily understood by anyone without prior knowledge of the issue.***

Tips:

- If an S&E charge is allowable to the project but exceeds available funds and is being moved to an unrestricted source, use S&E GL's #527010 (Research), 527020 (Instruction/Department), or 527030 (Extension & Public Service) for voluntary cost sharing.
- PI certification is necessary for specific situation outlined in the Correcting Document Guide.
- Explanation should include the document number, transaction date(s), amount, pay period, etc. of original transaction.
- Print or type the name below or next to the signature line of the PI or person that is signing the certification and the pre-auditor if not listed on the correcting document template.

Correcting Document Format - FV50

FROM		TO	
Grant(s)/PI:		Grant(s)/PI:	
IO(s)/Fund(s):		IO(s)/Fund(s):	
Project Period:		Project Period:	
Project Title:		Project Title:	
Available Balance/Date:		Available Balance/Date:	

*\*Multiple grants/accounts should be numbered, for example: 1), 2), etc.*

Original Document Information (document number, date, amount, pay period):	
Explanation: Must clearly show - 1) Why & how error occurred, 2) Allowability & allocability, 3) Reason for correction, 4) Timeliness	

**\*\*\* Note: The explanation must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the situation can fully understand why and how the error occurred, understand the corrective action, and find it appropriate.**

Preparer: Signature		Date:		Pre-Auditor: Signature		Date:	
Print		Phone:		Print		Phone:	

<b>PI Certification that project received the described expense and correction is proper.</b>							
Business Mgr.: Signature		Date:		PI Signature		Date:	
Print		Phone:		Print		Date:	

## Correcting Document Guidelines for Preparing - CD-01 & PAR involving Sponsored Projects

*NOTE: These guidelines are meant to serve as a supplement to the [Correcting Document Guide](#).*

Anytime a correction is initiated an assumption is formed that the original transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and the justification for moving those charges.

If a project has an overdraft, there is a presumption that any proposed correction is to alleviate the overrun and may not be transferred to another sponsored project merely for the sake of resolving a deficit or an allowability issue.

Criteria for corrections involving sponsored projects must:

1. Conform to University and sponsor policies (is it allowable, allocable, and reasonable?)
2. Be Timely
  - a. Cost transfers should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days from the end of the calendar month in which the transaction appears. A shorter period may be necessary near the project end date.
  - b. Cost transfers exceeding this time frame will require additional documentation as to why the transfer request was not made in a timely manner.
3. Cost transfers must contain a justification that clearly shows:
  - a. Allowability and allocability to the new sponsored project.
  - b. Reason for the correction.
  - c. Reason for the delay in the timely processing of the transfer if the transfer date exceeds the time frame listed above (2, a).
  - d. System generated errors that created a need for the correction has been corrected to prevent future errors.
  - e. It was reviewed by a person who has first-hand knowledge on the use of the service or item being corrected.
4. Utilize the Correcting Document Template

A good justification will allow anyone reviewing the correction to understand how the expense benefits the receiving sponsored project. It should answer the questions listed in 1-4 above. ***It should be easily understood by anyone without prior knowledge of the issue.***

Tips:

- PI certification is necessary for specific situation outlined in the Correcting Document Guide.
- Explanation should include the document number, transaction date(s), amount, pay period, etc. of original transaction.

Correcting Document Format - CD-01 & PAR

FROM		TO	
Grant(s)/PI:		Grant(s)/PI:	
IO(s)/Fund(s):		IO(s)/Fund(s):	
Project Period:		Project Period:	
Project Title:		Project Title:	
Available Balance/Date:		Available Balance/Date:	

*\*Multiple grants/accounts should be numbered, for example: 1), 2), etc.*

Original Document Information (document number, date, amount, pay period):

<p>Explanation:                  Must clearly show -                  1) Why &amp; how error occurred,                  2) Allowability &amp; allocability,                  3) Reason for correction,                  4) Timeliness</p>	
---	--

**\*\*\* Note: The explanation must be clearly and carefully worded so that regardless of the passage of time, a person unfamiliar with the situation can fully understand why and how the error occurred, understand the corrective action, and find it appropriate.**