

# Monthly Review of Transactions without Prior Fiscal Approval

## Best Practice and Report Utilization

With the 2018 Transformation Project, electronic document workflow and approval was implemented in SAP S4. As a result, most financial transactions  $\leq$  \$1,000 no longer require prior fiscal approval.

However, **all** purchases on sponsored program funds and federal appropriated funds should be reviewed for allowability, allocability and reasonableness. The allocability certification should be exercised by someone with firsthand knowledge that the project benefitted from the proposed expenditure, such as the PI or lab member with delegated authority. Business office account management staff should perform a routine monthly review of a sample of transactions  $\leq$  \$1,000 on federal sponsored program or federal appropriation funds to ensure steps are being taken by the individual requesting the purchase to ensure this criterion is met and to ensure the purchase is allowable.

As a best practice, a Cognos report ([Monthly Review of Transactions without Prior Fiscal Approval](#)) has been created to help with this post-transactional review process for transactions  $\leq$  \$1,000.

This document outlines the steps involved in this monthly review. The goal of this monthly review is not to review every transaction, but to identify key audit risks and proactively work with requestors or initiators to provide corrective measures to mitigate future risk.

This review provides an opportunity to mitigate potential future disallowances. The financial burden of audit disallowances resides with the academic unit.

## Best Practice High Level Expectations

The expectation will be that business office account management staff utilize the report to perform a monthly post-transactional review of federal sponsored program funds and federal appropriated funds. Business offices may choose to utilize the [Monthly Review of Transactions without Prior Fiscal Approval](#) report to review all operating funds or other sponsored program grant types. However, the primary focus of this best practice will focus on transactions on federal sponsored program funds and federal appropriated funds. If an area chooses to run the report on non-federal funds, then they should run the report separately, so they don't dilute the review of federal funds. There may be instances that warrant the need to review additional transactions for a particular grant-type based on unit specific needs.

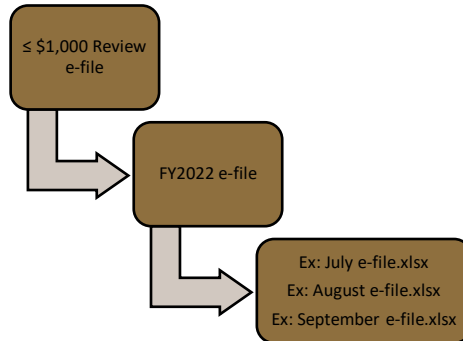
It is the expectation that if an unallowable purchase is identified during this monthly review that charges are moved via a correcting document (JV) to an allowable funding source in a timely manner. To better understand the implications of disallowable charges and understanding allowable, allocable and reasonable charges, review the BLCA 200 Life Cycle of an Account Training for [Cost Principles for Educational Institutions](#).

Any issues found during the review should be corrected in a timely manner and backup documentation, including appropriate actions taken during the review, should be maintained in the business office. The report should be downloaded to Excel and business office staff should complete their review in the blank

columns provided in the export version of the report. Backup documentation should be maintained in the departmental folder dedicated to this monthly review best practice and should be easily accessible.

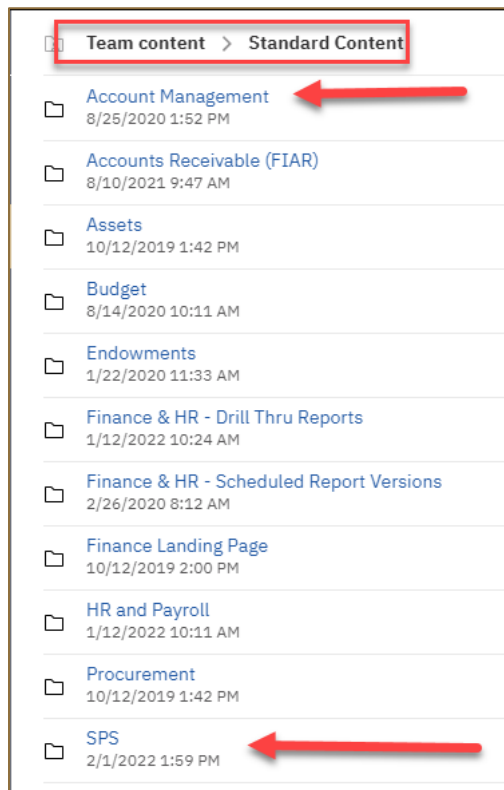
Business office staff should create a departmental e-file to maintain documentation for this review.

Suggested documentation electronic folder practice:



This review will be part of the [Accounting and Financial Management Governance Manual](#) under the Fiscal Approval Workflow section and the [Sponsored Program Services Account Management](#) website. It is important to ensure the steps are being followed consistently monthly. Documentation must also be maintained for this reason.

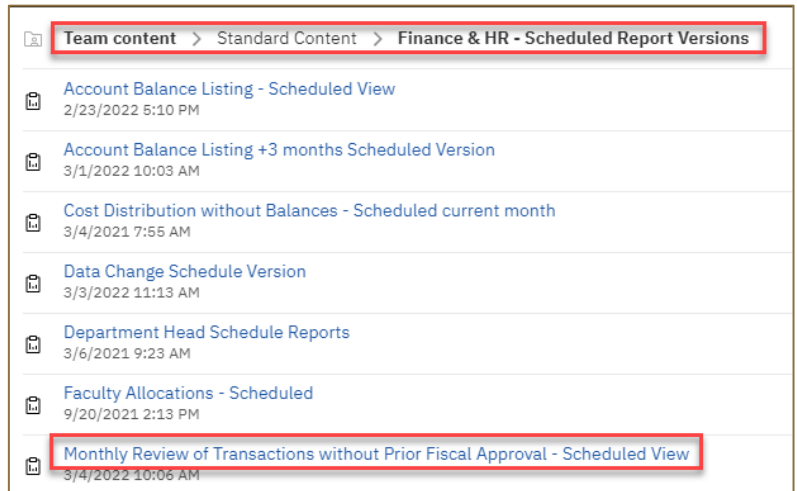
## Monthly Transactions without Prior Fiscal Approval Report



For the convenience of users, the [Monthly Review of Transactions without Prior Fiscal Approval](#) report has been made available from multiple sources in Cognos and includes a scheduled version as well.

To run the report “on demand” the report is available via [Standard Content>SPS](#) folder or the [Standard Content>Account Management](#) folder in Cognos (see path to the left).

The report is also available to be set up and automatically delivered via a scheduled report titled [Monthly Review of Transactions without Prior Fiscal Approval – Scheduled View](#). See the file path Team Content > Standard Content > Finance & HR – Scheduled Report Versions to the right. Setting up the scheduled version to be directly delivered to those individuals completing the review can make the process more efficient and prompt the review of the report. See the QRG for [Monthly Review of Transactions Without Prior Fiscal Approval](#) for details on running either version of the report.



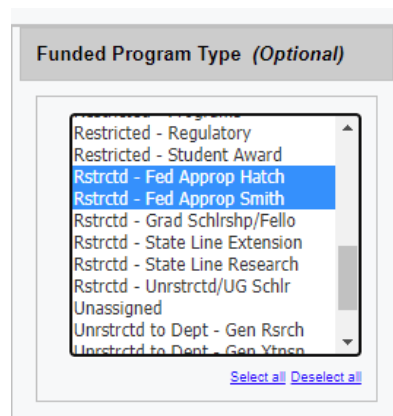
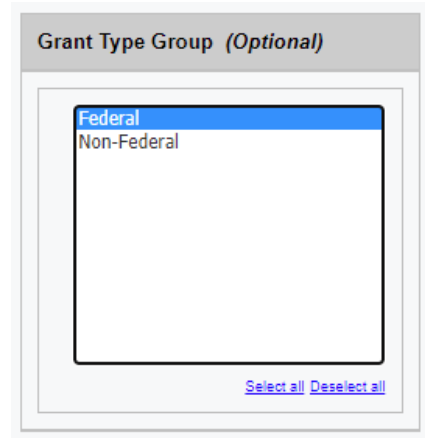
### Report Prompts

Users can choose from the following types of prompts to run the report: **Time Prompts** (on-demand version only), **Funded Program Prompts**, **Grant Prompts** and **Fund Center Prompts**.

The report should be run monthly at a **Financial Unit level**. The prompt values should be set to the prior month activity for review if running the on-demand report.

The scheduled version will automatically provide the previous months data without any time prompts being entered.

The **Grant Type Group** prompt should be used to select **Federal** for a review of Federal grants.



For Federal Appropriated Funds, the **Funded Program Type** values *Rstrctd - Fed Approp Hatch* & *Rstrctd - Fed Approp Smith* would be used:

Areas may choose to utilize this report to review additional fund types such as operating funds but are not required to do so. If an area chooses to run the report on non-federal funds, then they should run the report **separately** on these funds, so they don't dilute the review of federal funds.

*NOTE: The report contains the following hard coded filters, so users will not receive all transactions as seen on the Transaction Listing or in Aims.*

*Fiscal Year NOT less than 2016*

*Fiscal Year Period NOT 00*

*Total Actuals > .01*

### Report Details

This report includes four tabs:

1. Purchase Orders ≤ \$1,000 (Ariba Orders) – Review should be at the PO level
2. PCard Transactions ≤ \$1,000 (Concur) – Review should be at the line-item level
3. Direct Vendor Payments/ZV60 Payments ≤ \$1,000 – Review should be at the FI document level
4. Tcard & ZB Transactions ≤ \$1,000 (Concur/SAP) – Review should be at the line-item level

The screenshot shows the report interface with the following elements:

- Navigation icons and "HTML" label at the top.
- Four filter tabs: "Purchase Orders ≤ \$1,000 (Ariba Orders)", "PCard Transactions ≤ \$1,000 (Concur)", "Direct Vendor Payments/ZV60 Payments ≤ \$1,000", and "TCard & ZB Transactions ≤ \$1,000 (Concur)".
- Purdue University logo and "Monthly Review of Transactions without Prior Fiscal Approval" title.
- Report Name: Mo, File: Fiscal Year: 2024, Fiscal Year Period: 11, Business Area: 4018 - College of Science, Run Date: Jur, Run Time: 4.4.
- Section: "Purchase Orders ≤ \$1,000 (Ariba Orders)" with an "Export to Excel" link.
- A radio button selection for "Audit Selection" (selected) and "All Records".
- A data table with columns: Purchasing Document Number, Net Order Value in PO Currency, PO Line Item Text, FI Accounting Document Number, Line Item Text, Vendor Name, Grant Number, Grant Type Group, Funded Program Display, Project Owner Name, Financial Unit Display, Commitment Item Display, Fiscal Year Period, Actuals, Is Commitment Item Correct?, Does Individual Authorizing Request Have Signature Authority?, Is the Item being purchased allowable?, Has the correct account been charged?, Is Sufficient Backup Documentation Available?, Transaction Pass/Fail, and a partial column for "pro".

| Purchasing Document Number | Net Order Value in PO Currency | PO Line Item Text | FI Accounting Document Number | Line Item Text | Vendor Name                  | Grant Number       | Grant Type Group | Funded Program Display                    | Project Owner Name | Financial Unit Display | Commitment Item Display               | Fiscal Year Period | Actuals | Is Commitment Item Correct? | Does Individual Authorizing Request Have Signature Authority? | Is the Item being purchased allowable? | Has the correct account been charged? | Is Sufficient Backup Documentation Available? | Transaction Pass/Fail | pro |
|----------------------------|--------------------------------|-------------------|-------------------------------|----------------|------------------------------|--------------------|------------------|---|--------------------|------------------------|---------------------------------------|--------------------|---------|-----------------------------|---|--|---------------------------------------|---|-----------------------|-----|
| 4501312298                 | 102.00                         | L-Fucosee 25g     | 5002143251                    |                | Bepham Scientific Inc Ambeed | NOT-RELEVANT GRANT | Non-Federal      | F:00162018.03.001 - Axelrod Discretionary | AXELROD ABRAM J    | 18020000 - Chemistry   | 536010 - Minor Equipment - Scientific | 2024-11            | 87.00   |                             |   |  |                                       |   |                       |     |

The default layout will bring back a radio selection with “Audit Selection” defaulted. The **Audit Selection** criteria is set to bring back the lesser of 10% of qualifying transactions or a maximum of 20 transactions per tab. Users can switch to the **All Records** view to show all transactions for the selected criteria.

Since all travel expense reports are being fiscally approved before posting, they are excluded from this post-transactional review.

### Reviewer Expectations

Reviewers should review and make notes on **each** PO or document on all four tabs of the report, i.e., don't leave some documents without review. If the report brings back less than 20 transactions, the entire report should be reviewed. This should be followed for all four tabs of the report.

### Who is expected to perform the monthly review?

The business office “reviewer” should be a business office account management employee with fiscal approval delegation as the same thought process should be followed as when performing fiscal approval on transactions that exceed \$1,000.

### Recommended Review Details

1. On a monthly basis, a business office staff member should run the report for the Financial Unit on Grant Type for all federal funds (or set up the scheduled version to be automatically delivered to the reviewer). Report should be exported to Excel, review notes and comments collected in the provided columns and the file should be saved in the e-file referenced above.
  - a. Ensure appropriate use of Commitment Item (G/L) was used to record the expenditure.
  - b. Ensure allocability certification is met by confirming the person requesting the expense is authorized to do so by reviewing the grant Signature Delegation Form. This should be someone with first-hand knowledge that the expense benefits the grant and may be performed by the PI or a lab member with delegated authority.
  - c. Review transactions to ensure the expense is allowable and reasonable.
  - d. Has the correct account been charged? Does the backup documentation agree with the posted account information?
  - e. Review transactions and ensure all appropriate documentation is available in the grant file, Perceptive Content (WebNow) or other University system (Ariba, Concur, SAP).
  - f. Make notes of any questions or comments on the report and make sure the report with notes gets saved to the electronic ≤ \$1,000 file.
2. Business Managers or Business Unit designee should review the report monthly to ensure task is being completed and identify recurring issues.
3. For every 1 disallowance or error identified, reviewer should pull 1 additional transaction to review to increase sample size:
  - a. Reviewers can switch from the Audit Selection to All Records for additional transactions to review.
  - b. Disallowances are defined as not being allowable on the grant and must be moved to an allowable funding source – indicate Fail in the associated column on the spreadsheet
  - c. Errors may include but not limited to incorrect Commitment Item (G/L) or PI approval or delegated member approval was not obtained (i.e., allocability certification) – indicate Fail in the associated column on the spreadsheet if any of these items need correction

### Sample Additional Transaction

| Purchase Orders ≤ \$1,000  |               | Review Columns Outlined in Red |               |                               |   |  |                                       |   |                       |   |   |   |
|----------------------------|---------------|--------------------------------|---------------|-------------------------------|---|--|---------------------------------------|---|-----------------------|---|---|---|
| Purchasing Document Number | Funded Period | Fiscal Year                    | Actuals       | Is Commitment Item Correct?   | Does Individual Authorizing Request Have Signature Authority? | Is the item being purchased allowable? | Has the correct account been charged? | Is Sufficient Backup Documentation Available? | Transaction Pass/Fail | Was a correcting document required and processed? | Is this item an additional sample due to error? | Notes/Comments                            |
|                            | F.00125364    | 2022-04                        | 42.17         |                               |   |  |                                       |   |                       |   |   |   |
|                            | F.00125364    | 2022-04                        | 57.55         |                               |   |  |                                       |   |                       |   |   |   |
| <b>4500993773 - Total</b>  |               |                                | <b>99.72</b>  | Y                             | Y   | Y                                      | Y                                     | Y   | Pass                  | N   | N   |   |
| 4500993779                 | F.00125364    | 2022-04                        | 426.00        |                               |   |  |                                       |   |                       |   |   |   |
| <b>4500993779 - Total</b>  |               |                                | <b>426.00</b> | N                             | Y   | Y                                      | Y                                     | Y   | Fail                  | Y   | N   | Correcting Document #XXXXXXXXXX           |
|                            | F.00125364    | 2022-04                        | 11.83         |                               |   |  |                                       |   |                       |   |   |   |
|                            | F.00125364    | 2022-04                        | 320.00        |                               |   |  |                                       |   |                       |   |   |   |
| <b>4500993781 - Total</b>  |               |                                | <b>331.83</b> | Y                             | Y   | Y                                      | Y                                     | Y   | Pass                  | N   | Y   | Additional Sample for PO# 4500993779 Fail |
|                            |               |                                |               | <b>Error Rate Calculation</b> |   |  |                                       |   |                       |   |   |   |
|                            |               |                                |               | A) # of PO's                  | 2   |  |                                       |   |                       |   |   |   |
|                            |               |                                |               | B) # of                       | 1   |  |                                       |   |                       |   |   |   |
|                            |               |                                |               | B/A = %                       | 50%   |  |                                       |   |                       |   |   |   |
|                            |               |                                |               | Error Rate                    | 50%   |  |                                       |   |                       |   |   |   |

Error rate calculation should be added by reviewer at the end of the review

4. If the reviewer has identified greater than 25% disallowances or errors on the transactions review including the review of additional transactions, the Business Manager should escalate to the DFA, or the DFA designee to identify corrective measures. Based upon the escalated findings the DFA may need to resolve with the Senior Director and/or Research Quality Assurance.

#### Sample Error Rate Calculation

| Error Rate Calculation |     |
|------------------------|-----|
| A) # of PO's           | 6   |
| B) # of Errors         | 1   |
| B/A = % Error Rate     | 17% |

5. Communicate with your Business Manager and DFA and/or ADFA for other review expectations.
6. If an expense has been identified as unallowable, the expense should be moved via correcting document (JV) to an allowable funding source in a timely manner.
7. If an incorrect use of Commitment Item (G/L) is identified, the business office should prepare a correcting document (JV) to correctly allocate the expense to the appropriate Commitment Item (G/L) in a timely manner. Correct Commitment Item (G/L) use is important for providing accurate financial reporting and financial statements. Questions about whether to correct a Commitment Item (G/L) should be directed to the Business Manager for discussion.
8. If other key issues are identified such as a user was not listed as having signature delegation, work with the PI to add the requestor to the signature delegation form. The focus should be on proactively working with staff to ensure audit compliance for future transactions.

## Backup Documentation Expectations

For backup documentation requirements detail for purchases and disbursements, please review the [Required Documentation](#) table for expenses in the Travel Regulations document, pages 6-8.

For additional resources, review [BLCA 330 Audits, Back-up Documentation and Records Retention Training and Correcting Document](#) Guidelines.

Ariba Documentation Review [Procurement Delegation Manual](#)

- Purchasing request form
  - Business purpose for purchase should be provided or discernable
  - Certification by person with first-hand knowledge that the purchase benefits the project
  - Explanations of split account distributions or is easily discernable
- PI authorization is included, or individual requesting is authorized by the PI (email or signature)
- Quote, if applicable
- Any other required information for the purchase
- Commitment Item (G/L) Is appropriate

Purchasing Credit Card Documentation Review [Purchasing Card Manual](#)

Travel Credit Card Documentation Review [Travel Card Manual](#)

Hospitality

- Purchasing card transaction form
  - Business purpose for purchase

- Certification by person with first-hand knowledge that the purchase benefits the project
  - Explanations of split account distributions or is easily discernable
- Attendee list
- Itinerary
- Itemized Receipt including tip if applicable (no alcohol)
- PI authorization is included, or individual requesting is authorized by the PI (email or signature)
- Commitment Item (G/L) is appropriate

#### General Purchase

- Purchasing card transaction form
  - Business purpose for purchase should be provided or discernable
  - Certification by person with first-hand knowledge that the purchase benefits the project
  - Explanations of split account distributions or is easily discernable
- Itemized Receipt (no tax)
- PI authorization is included, or individual requesting is authorized by the PI (email or signature)
- Commitment Item (G/L) is appropriate

#### Invoice Voucher Documentation Review [Accounts Payable](#)

- Payee Certification (may also require a Substitute W-9)
  - Reason for purchase, what this purchase is going towards to benefit the cause/project)
  - Invoice is included
- PI authorization is included, or individual requesting is authorized by the PI (email or signature)
- Commitment Item (G/L) is appropriate

## Future Review of the Best Practice

The Research Quality Assurance team in Sponsored Program Services will conduct a minimum annual review and compile finding data for senior leadership. The monthly review sample size (the lesser of 10% or 20 transactions) may be reviewed and updated based upon Research Quality Assurance finding percentage data.