POLICY TRAINING PROGRAM FOR THE LIFECYCLE OF AN ACCOUNT

PREAUDITOR TRAINING
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OBJECTIVES:

• Explain reasons why Purdue preaudits.
• List the expectations of a preauditor.
• Identify what correcting documents need to be preaudited.
• Explain the roles and expectations of the preparer and preauditor.
• Define the Cost Transfer Guidelines and application of the policy.
• Document Review
• Describe the routing process.
UNDERSTAND WHY WE PREAUDIT

- Preauditors assure that corrections and/or changes to sponsored program accounts are appropriate.
- Preauditors assure compliance with:
  - university rules, regulations and policies.
  - federal cost allocation guidelines.
  - sponsor guidelines.
- Adjusting and correcting entries are targets for federal audits and potential cost disallowances.
RECENT AUDITS/MONITORING VISITS THAT HAVE OCCURRED AT PURDUE:

- January 2013, Indiana Family and Social Services Admin. College of Agriculture
- May 2013, McBride, Lock & Associates\National Science Foundation, All Campuses
- August 2013, Cummins Inc.\U. S. Department of Energy, College of Engineering
- February 2014, Occupational Safety and Health Administration, College of Agriculture
- April 2014, DHHS OIG audit of Army Contract, College of Engineering
- April 2014, USDA Food and Nutrition Service, College of Health & Human Sciences
- August 2014, USAID Afghanistan, College of Agriculture
- September 2014 and beyond, More coming!
The University of South Florida – $6.4 Million of Questioned costs by NIH

Questioned costs included:

- Unallowable administrative and clerical costs charged as direct costs
- Payments greater than employees supported rates
- Graduate student compensation exceeding the stipend level set by NIH
- Employees duties that were unallowable on federal funds
EXAMPLE: WHY PREAUDIT

COMPLIANCE/INTERNAL CONTROL DEFICIENCIES

University of North Carolina at Chapel Hill - $349,284 in unallowable transactions to HHS funded grants, contracts and other awards

- Costs transferred from University accounts without the basis of amount transferred or reason for lateness. $298,275
- Direct Invoices were costs not adequately documented. $13,410
- Costs were doubled charged to HHS awards. $34,557
- Costs not treated consistently. $3,042
PREADITOR EXPECTATIONS

- Knowledge of University, Sponsor and Donor policies and procedures.
- Knowledge of sponsored program administration.
- Comptroller/SPS signature delegation of $50K.
- Firm understanding of the preaudit process.
- Demonstrated excellence in:
  - preparing and reviewing documents.
  - reviewing support documentation.
  - following proper retention policies.
  - communicating unique situations or circumstances.
WHAT IS PREAUDITED?

Corrections Impacting Funds:

• 3401XXXX and 3451XXXX (Federal Appropriations)
• 4101XXXX-4501XXXX (Sponsored Program Funds)

On These Documents:

• FV 50: Journal Vouchers (JVs)
• CD-01: Payroll Distributions Change
  • For non-exempt staff
• Revised PARs
• Post PARs
COST DISTRIBUTION CORRECTIONS

• How are transactions certified?
• How is effort certified?
  • The timecard is the certification for non-exempt staff.
  • The semester PAR is the certification for exempt staff.
• Payroll corrections for biweekly or non-exempt administrative staff are recertifications.
  • Do require preauditing.
• Changes in payroll distributions (CD-01) for exempt staff are only estimates.
  • Do not require preauditing.
PERSONNEL ACTIVITY REPORT (PAR)

• PAR
  • A change to salary distribution during the current reporting period (Fall, Spring, or Summer)
    – *Does not require preauditing.*
    – *Does not require an explanation.*

• Revised PARs
  • Revised PARs are a change to the way effort was originally distributed and certified on the initial PAR
    – *Do require preauditing.*
    – *Requires an explanation.*
• Post PARs
  • Original PARs processed after the PAR period:

Regardless if the salary distribution does or does not change, both:
  – **Do require preauditing.**
  – **Requires an explanation which should include that this is the original certification of effort.**
  – **Statement of reason why PAR is late.**
CHANGES OF LESS THAN 5%

- **Do not** require preauditor.
  - Managerial Accounting Services reviews and approves.
  - Confers with Sponsored Program Services (SPS) when necessary.
ROLES & EXPECTATIONS

- Preparer Role
- Preauditor Role
- Expectations
- Routing
PREPARATOR ROLE

- Confer with PI when appropriate
- Prepare the appropriate form
- Assure funds availability
  - Include the current available balance of accounts on the document.
- Verify accuracy of document
- Provide appropriate explanations
- Secure proper back-up documentation
- Assure change is allowable, allocable and reasonable.

- Assure that movement is needed and is not done solely for convenience or funds availability
- Ensure document is timely
- Obtain PI certifications when appropriate
- Mark and highlight special needs
- Forward document to proper office (see routing of documents)
PREAUDITOR ROLE

• Assure compliance with the document preparation guidelines
• Assure sufficient explanation
• Verify appropriate certifications have been obtained
• Assure change is allowable, allocable, reasonable and timely
  • For funds type 34, the Preauditor should assure that the document does not change the activity from a prior federal fiscal year (Oct. 1 - Sept. 30) unless approved by Business Manager/Ag Funds Accountant
• Assure that movement is needed and is not done solely for convenience or funds availability
• Communicate revisions or corrections to the preparer and initiate appropriate corrective actions
• Provide feedback about why changes are needed
• Forward document to proper office (see routing of documents)
• If decision could be questionable, add explanation of rationale, when appropriate.
EXPECTATIONS

- Each School/College/Unit should have at least one designated preauditor.
  - Backup agreements within or across areas are recommended.
- Documents should be processed within 2 days of receipt from preparer.
  - However, quality of the process should not be compromised for timeliness.
  - Implicit with every role is the assurance that there is an understanding and certification of allowability.
PREAUDITOR’S DOCUMENT REVIEW

- Conduct the review as if you were auditing the transaction. Is there enough information to evaluate why the transaction should be allowable?
- Would an auditor not familiar with the background be able to come to the conclusion that the charge is allowable?
- Documents needing preaudit approval are highly questionable transactions by their nature. The preaudit review/approval is Purdue’s control procedure over these questionable transactions. If you need help in determining whether the transaction should be approved contact SPS.
ISSUES A PREAUDITOR SHOULD LOOK FOR DURING REVIEW

• Does the document contain:
  • Title of Sponsored Program
  • Project Period
  • Document Number, amount and date
  • Explanation for Correction clearly summarized
    ▪ Could you understand the need for the correction if you read the explanation 6 months from now?
  • Current available balance of Sponsored Programs
ISSUES A PREAUDITOR SHOULD LOOK FOR (CONT')

• Is the correction timely?
  • If not, is the explanation acceptable?

• Is the correction a Cost Transfer?
  • Convenience
  • Availability of Funds

• Is the correction allocating the cost to multiple projects?
  • Benefit determined without undue effort
  • Benefit within remaining time of the project
  • Allocation using up remaining balance
  • Unusual percentages
Special note on PAR corrections

Revised PARs will not be approved when:

- An overdraft is being cleared from one grant to another grant (does not include sponsored programs within the same grant or voluntary support grants) or
- Expenses being moved to an expired grant that has a balance
WHAT TYPES OF TRANSACTIONS DO NOT NEED PREAUDITOR?

• Salary distribution (CD-01) within the PAR period
• Original PAR processed in the PAR period
• G/L corrections – for non-payroll transactions
• Keying error – original back up documentation reflects the correct cost center
• After Pre-auditor has reviewed and approved a Journal Voucher (FV50), forward to Accounting Services
• Revised, Post PARs and all CD-01s should be forwarded to Managerial Accounting Services
  • Managerial Accounting Services will obtain SPS approval for CD-01s where biweekly staff corrections are over 120 days
  • CD-01 corrections over 120 days should not be entered into IT27 prior to receiving SPS approval
Readiness Assessment

- Before requesting Pre-auditor Authority a readiness assessment must be conducted and documented by an individual who already holds a pre-audit delegation and must be recommended by the Director of Financial Affairs (DFA), and Director of Business Management. The Senior Director of Sponsored Program Services is the individual who makes the delegation of the pre-audit authority.

- Resources to be utilized in conducting the readiness assessment include Signature Authority Delegation Training, the Correcting Document Guide, Cost Allocation Guidelines for Charges to Sponsored Programs, and other appropriate resources.
DELEGATION OF PRE-AUDITOR AUTHORITY
(CONTINUED)

Approval Procedure to Name an Individual As a Pre-auditor; Procedure to revoke Pre-auditor Authority

- SPS pre-auditor approval process is managed through the Attribute Maintenance application in Manager Self Service.
- Attribute is assigned at the position level, not the person level.
- When an individual who has SPS pre-auditor approval leaves their position the attribute for SPS pre-auditor must deleted from that position by the supervisor that requested the approval originally.
- Manager Self Service maintains a list of authorized pre-auditors. An Org Structure Attribute Report identifying those authorized can be generated.
- SPS web site also maintains a list of authorized pre-auditors.
PREAUDIT PROCESS REVIEW

- SPS is responsible for coordinating an annual review of the pre-audit process and verifying the list of pre-auditors is current.
- Communication of the findings to the organizational areas reviewed will be provided along with feedback and appropriate training, if necessary.
- Organization areas reviewed and any significant findings will be communicated to the Senior Director if Sponsored Program Services and the Director of Business Management.
RESOURCES

OMB Circulars A-21 and A-110
http://www.whitehouse.gov/omb/circulars/index.html

Resource: Introduction to Certification of Effort Training
https://www.eventreg.purdue.edu/training/CourseListing.asp?master_id=3335&master_version=1&course_area=BSTC&course_number=152&course_subtitle=00

Resource: Purdue University CAS Guidelines

Resource: Purdue University Correcting Document Guide
Purdue University Account Management Guidelines

Notice to Proceed Form and Instructions
http://www.purdue.edu/sps/pdf/NTPInstructions.pdf

Purdue University Pre-audit Process Guide
http://www.purdue.edu/business/sps/postaward/accountmgmt/preaudit/pa_process.html

Cost Transfer Guidelines
http://www.purdue.edu/sps/doc/Final_Cost_Transfer_Guidelines.doc
RESOURCES

Request SPS Pre-audit Attribute be Applied to Position Quick Reference Card

Org Structure Attribute Report Quick Reference Card
QUESTIONS?