Pre-Auditor Training

Life Cycle of an Account Series

Policy Training

May 2019
SESSION OBJECTIVES

Upon completion of this course, you will be able to:

• Explain reasons why Purdue pre-audits
• List the expectations of a pre-auditor
• Identify what correcting documents need to be pre-audited
• Explain the roles and expectations of the preparer and pre-auditor
• Define the Cost Transfer Guidelines and application of the policy
• Complete a pre-audit document review
• Describe the routing process
ALLOWABLE COSTS

A cost is allowable if it is:

- Allocable
- Reasonable and Necessary
- Treated Consistently
- Conforming to limitations or exclusions set forth in the Uniform Guidance
- Adequately Documented

Uniform Guidance 200.403
Determining Chargeability of Costs to a Sponsored Program

DECISION PROCESS

Reasonable
- Price
- Quantity
- Timeliness

Allocable
- Must benefit project
- Must be necessary

Allowable
- Uniform Guidelines
- Sponsor Guidelines
- University Guidelines

Two or More Projects
Proportions determined with no undue effort

One Project

Consistent Treatment
Indirect
Direct

Allowable Direct Costs with Conditions
Only YOU can prevent correcting documents!
WHY PURDUE PRE-AUDITS
• Pre-auditors assure that corrections and/or changes to sponsored program accounts are appropriate.

• Pre-auditors 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.
AUDIT CONSEQUENCES

Disallowances:

- Cost of disallowed charges must be covered from other fund sources
  - The financial burden of audit disallowance will reside with the academic unit responsible for the cost allocation decision.
- Fines, Penalties, and Interest
- Loss of funding
- Discredit to public image
- Loss of institutional delegations
- Increased audit scrutiny
WHAT IS PRE-AUDITED?
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**Corrections Impacting Funds:**
- Federal Appropriations
- Sponsored Program Funds
- And related cost sharing on the above listed funds

**On These Documents:**
- FV 50 – Journal Vouchers (JVs)
- Payroll JVs
- Revised PARs
- Post PARs
• How are transactions certified?

• How is effort certified?
  - The timecard is the certification for non-exempt staff before HCM conversion
  - The semester PAR is the certification for exempt staff and non-exempt staff after HCM conversion

• Changes in payroll distributions prior to the generation of the semester PAR for exempt staff are only estimates
  - Do not require pre-auditing
PAR

- A change to salary distribution during the current reporting period (Fall, Spring, or Summer)
  - Does not require pre-auditing
  - 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 pre-auditing
  - Do require an explanation
**PERSONNEL ACTIVITY REPORT (PAR)**

**Post PARs**

- Original PARs processed *after* the PAR period changing the salary distribution
  - *Does require* pre-auditing
  - *Does require* an explanation, which should include that this is the original certification of effort
  - *Does require* a statement of reason why PAR is late

**Late PARs**

- Original PARs processed *after* the PAR period that does not change the salary distribution
  - *Does not require* pre-auditing
  - *Does require* an explanation, which should include that this is the original certification of effort
  - *Does require* a statement of reason why PAR is late
ROLES & EXPECTATIONS
DOCUMENT PREPARER 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
- Assure and explain why change is allowable, allocable and reasonable
- Assure that movement is needed and is not done solely for convenience or funds availability
- Secure proper back-up documentation
- Ensure document is timely
- Obtain PI certifications when appropriate
- Mark and highlight special needs
- Forward document to proper office (see routing of documents)
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 Pre-auditor 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

Sometimes the Pre-Auditor will say, “NO”
PRE-AUDITOR’S DOCUMENT REVIEW
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• 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 pre-audit approval are highly questionable transactions by their nature. The pre-audit 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.

• Some transactions will be denied (risk and reputation).
Issues to look for...

- 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
    - Auditors will always ask for this, so ensure it is included.
Issues to look for (continued)...

✓ 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
Issues to look for (continued)...

Special note on PAR corrections:

- Revised PARs may 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
Questions

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