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# Pre-Auditor Training

## Life Cycle of an Account Series

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**Policy Training**

# 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

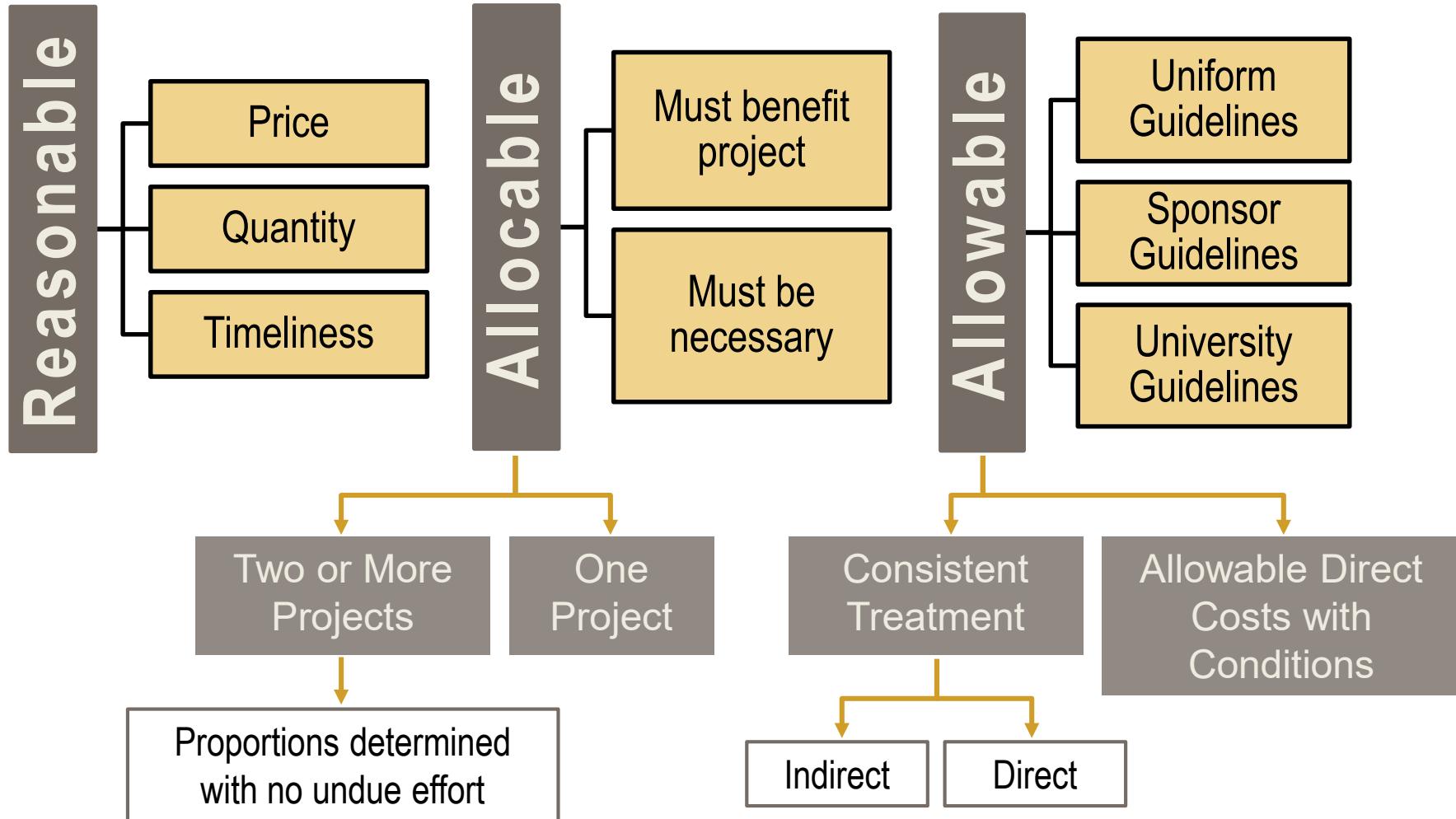
A cost is allowable if it is:

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

***Uniform Guidance 200.403***

# DECISION PROCESS

## Determining Chargeability of Costs to a Sponsored Program



Only YOU  
can prevent  
correcting  
documents!



# WHY PURDUE PRE-AUDITS

# UNDERSTANDING WHY WE PRE-AUDIT

- 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

# COST DISTRIBUTION CORRECTIONS

- 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

# PERSONNEL ACTIVITY REPORT (PAR)

## 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)

# PRE-AUDITOR ROLE

## Manage the Risk and Reputation of the University

- 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).

# PRE-AUDITOR'S DOCUMENT REVIEW

## 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.

# PRE-AUDITOR'S DOCUMENT REVIEW

## 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

# PRE-AUDITOR'S DOCUMENT REVIEW

## 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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