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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

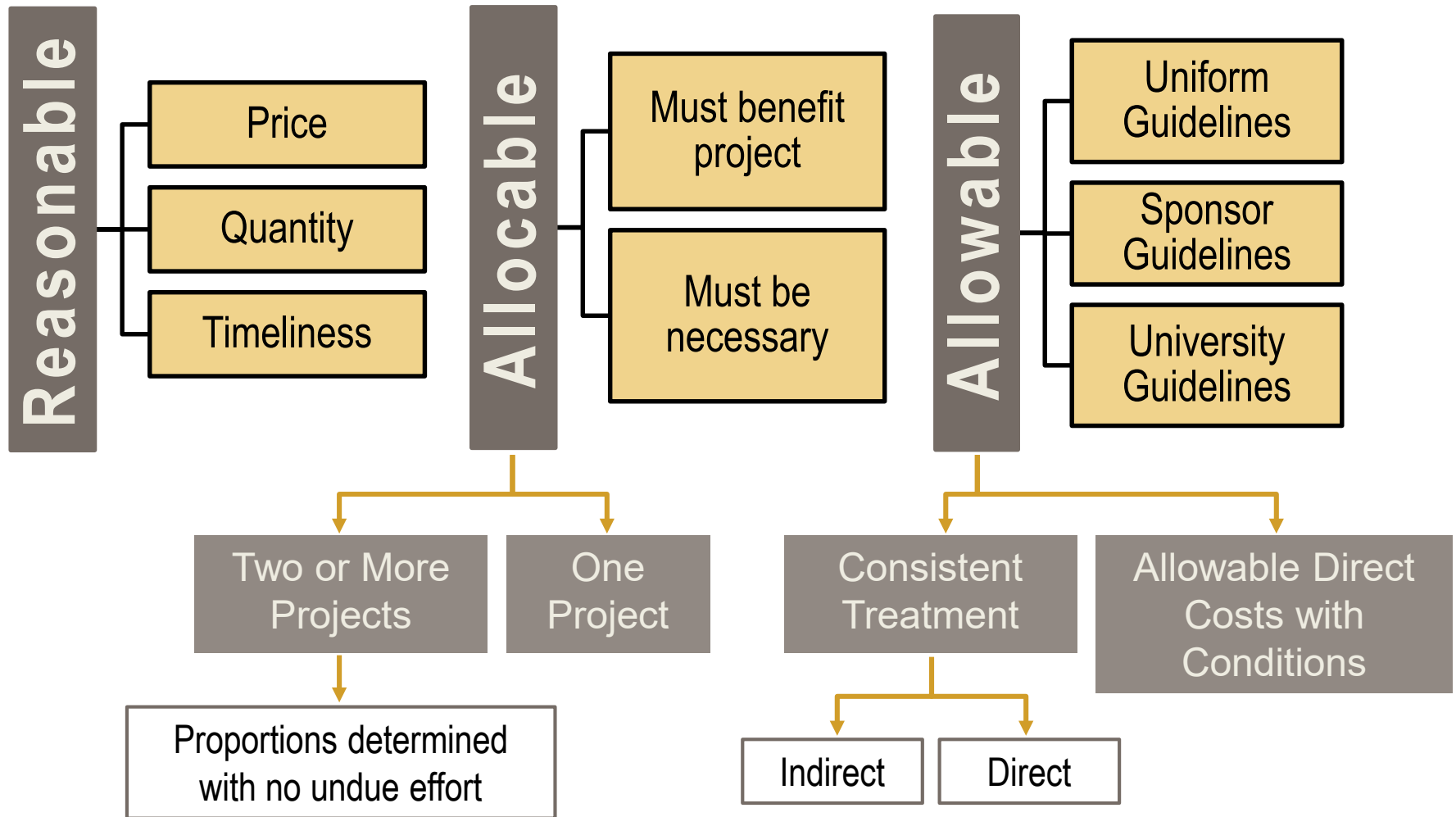
A cost is allowable if it is:

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

Uniform Guidance 200.403

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

PRE-AUDITOR'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 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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