

Purdue Audit Experiences - May 2015

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Introduction

- We will be discussing audit situations that cover grant funds, federal appropriated funds, and other funding sources
- Institutions has many policies and procedures to help ensure we are following federal and state guidelines and to make sure we are treating employees consistently
- In our day to day work, we sometimes forget the “why” behind the process
- The intent of today’s session is to point out real audit examples and the best practices for handling the audits
- In some situations, the end result is the individual, department, or university had to fund the disallowed expense



Internal Audit

- The mission of the Internal Audit Office at Purdue University is to provide independent, objective assurance and advisory services designed to add value and assist all levels of administration in achieving University objectives by striving to provide a positive impact on the efficiency and effectiveness of the operations. The Internal Audit Office helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- The Director of Internal Audit submits a written report to the Board annually
- There is an Entrance and Exit meeting with all external auditors. The Director of Internal Audit attends these meetings. These meetings are important because expectations are clarified for all parties.
- Purdue provides an anonymous hotline number or a report can be filed online. The hotline is used to report suspected fraud, waste, or abuse of University assets, as well as regulatory noncompliance. Internal Audit manages this process



Internal Audit: Example 1

- Tip came into Internal Audit through the hotline
- There was an accusation made that a professor was holding a faculty appointment at Purdue University, as well as a faculty appointment at another institution.
- The allegation was forwarded to the Director of Financial Affairs and the Department Head.

Actions Taken:

- The Director of Financial Affairs and Internal Audit discussed next steps
- Internal Audit researched the other institutions' website and found that Purdue's professor was listed as an Adjunct Faculty (or non-paid faculty) at the other institution.



Internal Audit: Example 1

- The Department Head at Purdue discussed the allegations with the faculty and submitted a written response that included the following:
 - The Professor is an adjunct faculty (non-pay) at the other institution
 - Number of annual visits to the institution which had been previously disclosed
 - Details regarding the collaboration
 - Referenced the Outside Activity document that was approved by the University for this specific collaboration

- Internal Audit reviewed the response and considered the matter closed.

Key Points:

- Allegation was addressed timely
- Department Head was contacted first to discuss appropriate next steps before action was taken
- The Professors response was consistent with the institution's website, his own outside activity form, and previous discussions with his department head.
- The key points were documented in writing



Internal Audit: Example 2

- Employee was working in a temporary appointment. Temporary appointments limit the amount of hours that can be worked. In this case he was limited to working 18 hours a week and this restriction was communicated to the Professor
- While the employee was working in a temp appointment, the Professor tried to also pay the employee as a consultant
- As the business office tried to sort out the consultant payment, the employee mentioned in passing to the business office that he had been working more than the allotted “temp hours”
- Upon further conversation, we discovered the employee was instructed by his Professor not to record time in excess of 18 hours a week
- In order to address the immediate need of paying the individual for current work, it was communicated to the Professor, the Department Head, and the employee that the employee could only work 18 hours a week and that paying the individual as a consultant wasn’t appropriate.
- Internal Audit was contacted to investigate how much back-pay was owed to the employee for a period of 3 years



Internal Audit: Example 2

Actions Taken:

- Payment in the amount of \$2,562 was paid to the employee for 198 hours of unpaid time. The Professor paid this expense from his university resources.
- The Human Resource Department improved their website providing specific information about timekeeping for temporary employees
- Human Resources met with the Department Head and the Faculty to discuss the Fair Labor Standards Act and other pay policies and set future expectations

Key Points:

- The local business office caught the issue and immediately elevated to the College level
- The College worked quickly with Human Resources to deal with the immediate need of payment to the employee, and then turned the longer term issue over to Internal Audit for further investigation
- The issue and planned next steps were all communicated to the employee, Professor, and Department Head
- Due to Internal Audits involvement, Human Resources made adjustments to their practices, and Human Resources followed up with faculty and Department Head



USAID Grant Audit:

USAID contracted with an audit firm to audit Purdue's "Strengthening Afghanistan Agriculture Faculties" project

- Purdue received a four page spreadsheet of the information requested including:
 - Billing history
 - Listing of all bank accounts and signatories on the account
 - Procedures for the disposition of fixed assets and inventory
 - Project Summary Report
 - Payroll transactions
 - Listing of subcontractors and copies of subcontractor agreements

- Many of the additional requested items dealt with Internal Controls and Policies for example:
 - Copy of specific control procedures relating to hiring and compensation of Project Personnel
 - Written description of policies relating to Currency Exchange rates
 - Copies of policies and procedures to control funds under the project
 - Written description of all fringe benefits and allowance for project personnel



USAID Grant Audit:

Purdue's Response:

- Purdue provided a transaction listing that showed all payroll and supply and expense transactions
 - The audit firm reviewed the transactions and then asked for more detailed back-up regarding all subcontract payments
- Regarding the internal controls and policies, Purdue provided a list of Purdue policies that addressed the question and provided the web-link to the policy
 - University's Governance structure and delegation of signature authority
 - Faculty and Staff Handbook
 - Revolving Fund Procedures
 - Effort Reporting Policy
 - Sub recipient Monitoring Guidelines
 - Cost Allocation Guidelines for charges to sponsored program services
 - Project Specific Internal Controls (In-country procurement related processes, in-country payments made to project local nationals, reconciling in-country expenses to Purdue ledger)



USAID Grant Audit:

- Audit Firm reviewed all policies and internal control documents and asked Purdue to provide a “Management Representation Letter” to certify compliance with 11 different points. Purdue made adjustments to the letter and the Director of Sponsored Program Services and the Principle Investigator signed the letter.

Findings and Recommendations:

- Purdue had no findings or recommendations and the audit was closed
 - Based on Purdue’s strong internal controls
 - Based on the review of Purdue’s previous A-133 audits which had no significant findings

Key Points:

- Reference University policies and procedures to emphasize internal controls are in place.
- If the project is unique and doesn’t fit under normal procedures, document the procedure and why the project doesn’t fit into a normal policy. When appropriate obtain approval from the University office that owns the policy (for example Human Resources).



USAID Grant Audit:

Key Points continued:

- Follow the policies as written!
- Keep documentation and good records especially for the unique situations. Keep records of inquiries to sponsors
- Ensure all appropriate parties are involved in the audit. In this case the following individuals played an important role:
 - Principle Investigator
 - Associate Dean for International Programs
 - Director of Internal Audit
 - Director of Sponsored Program Services
 - Comptroller
 - College Business Office





2015 NCCEA Fall Conference

Callie Glascock, Budget Director

UNIVERSITY OF MISSOURI
 Extension

A-133 Audit

- Smith Lever
- SNAP-Ed

Controls and Reporting

- Matching
 - FY 14 annual budget
 - evidencing 100% match
 - Evidencing Director approval
 - Monthly budget to actual reports and evidence of review
 - Program splits evidencing allocation of direct and match expenditures

Controls and Reporting

- Cash Management
 - How many reimbursement requests occurred in FY 14
- Reporting
 - Annual SF-425s for all awards

Payroll

- EVRs
- Standard % by program area
- Over 60 days process
- Monthly payroll reconciliation review

Detailed Project Expenditures

- Pre-approval of expenditures by PI
- Delegation of authority
- Blanket approval of routine expenditures
- 5% cap on benefits
- Renovations vs. new build
- Capital Equipment
 - Administrative guidance \$500
 - 7 CFR Part 3019

Detailed Project Expenditures

- Cont.
- Signed contracts
- Sub recipient invoices and backup
- Tuition