



Symposium for Research Administrators

University of Wisconsin-Madison
November 8th, 2023

Research Administration in a World of “It Depends”

Calleen Roper

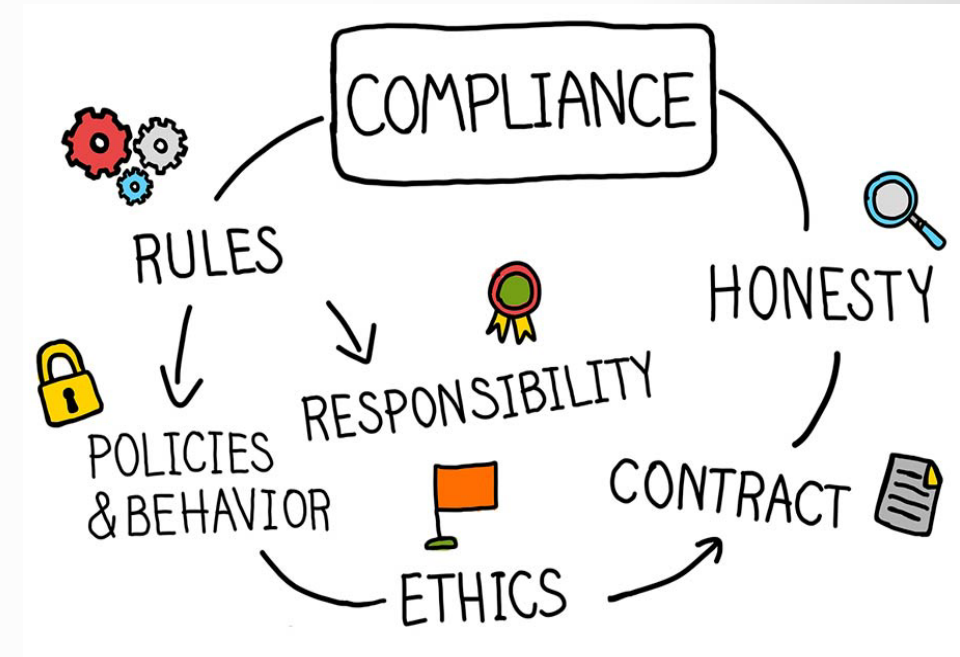
Associate Director for Research
Department of Medicine
croper@medicine.wisc.edu

Sandy Fowler

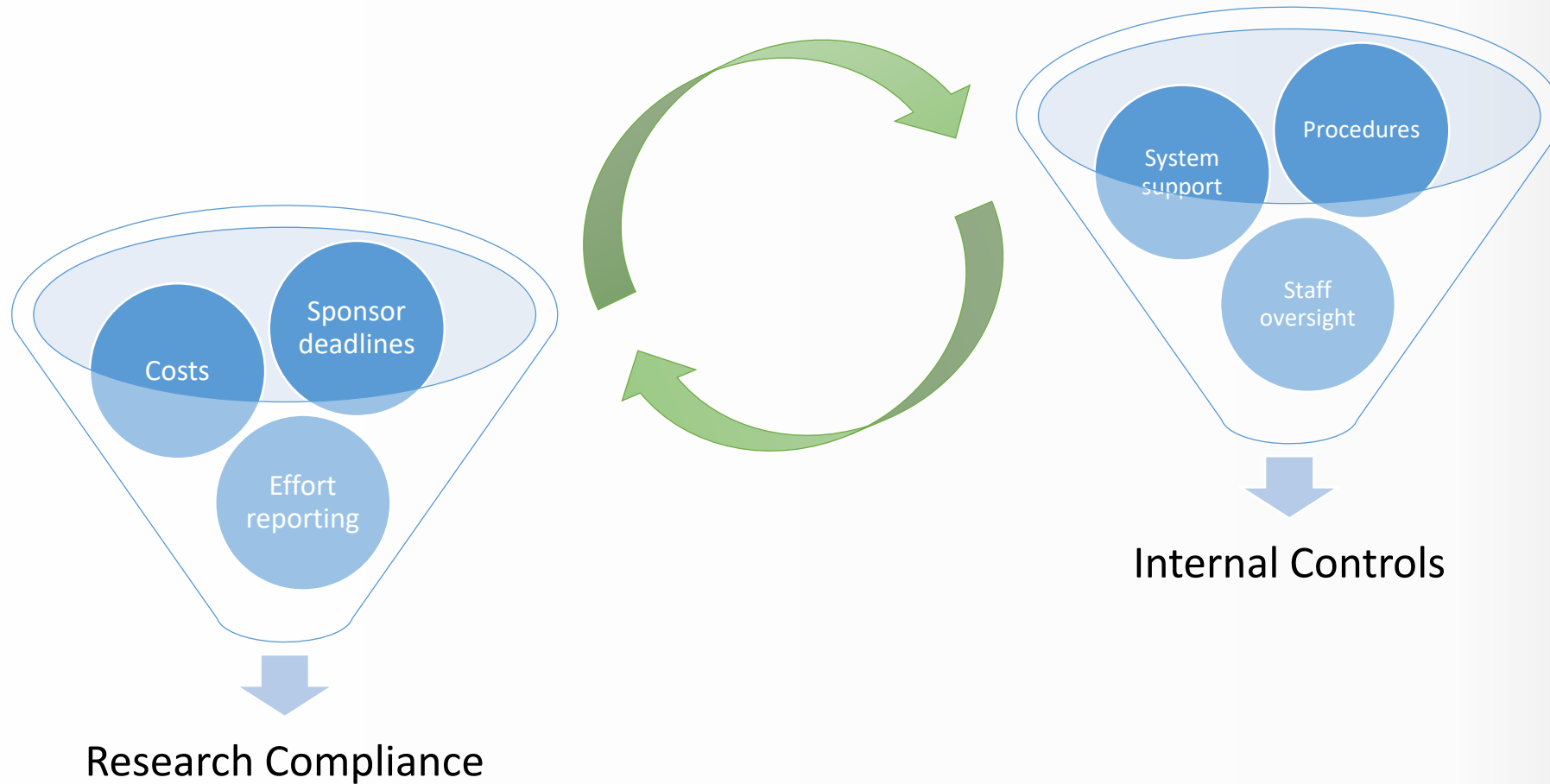
Assistant Dean for Research
College of Agricultural & Life Sciences
sandy.fowler@wisc.edu

Agenda

- Internal Controls
- COSO Framework & Principles
- Assessing Controls
- Discussion & Questions



Research Compliance



Uniform Guidance

The Uniform Guidance states that internal controls should be in line with:

- “Standards for Internal Control in the Federal Government” [i.e., the Green Book]
- “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations (COSO); and
- OMB Compliance Supplement, Part 6.

COSO Framework



Control Environment: Sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure



Risk Assessment: Institution's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.



Control activities: Policies and procedures that help ensure that management directives are carried out.



Information and communication: Identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.



Monitoring activities: Process that assesses the quality of internal control performance over time.

Considerations for Internal Controls

Internal controls will differ between institutions based on:

- Research volume (sponsor agencies, award complexity, number of subawards)
- Institutional history (past audits, internal investigations)
- Enterprise structure (affiliated institutions, faculty appointments)

*“Too many controls can result in inefficient and ineffective operations; managers must ensure an **appropriate balance between the strength of controls and the relative risk** associated with particular grant award programs and operations.”*

— Part 6, Compliance Supplement

Considerations for Internal Controls

Consider where your organization falls on the spectrum



- Lack of Stakeholder Buy-in
- Risk Tolerant
- Insufficient Procedures
- Dated Technology
- Limited Staffing Conditions

- High Stakeholder Buy-in
- Risk Adverse
- Well-documented Procedures
- System Support
- Personnel have Expertise and Subject Matter Knowledge

COSO Principles

COSO Principle	Questions to Consider
<p>Control Environment: Sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.</p>	<ul style="list-style-type: none">• Does your institution have buy-in and commitment from leadership, management and staff regarding a compliance environment?• Is there knowledge and focus on internal controls?
<p>Risk Assessment: Entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.</p>	<ul style="list-style-type: none">• Do you have processes and structures in place to analyze risks?• Is it clear who is responsible for identifying, monitoring and managing risks?

COSO Principles

COSO Principle	Questions to Consider
<p>Control Activities: Policies and procedures that help ensure that management's directives are carried out.</p>	<ul style="list-style-type: none">• Are there written policies and procedures to reasonably assure compliance?• What types of actions support controls, such as segregation of duties, security checks, applications, business processes?
<p>Information & Communication: Identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.</p>	<ul style="list-style-type: none">• What documentation and communications will support quality of controls, such as record keeping, internal communications, and timely reporting?• How effective is communication?
<p>Monitoring: Process that assesses the quality of internal control performance over time.</p>	<ul style="list-style-type: none">• What proactive, on-going monitoring occurs?• Are there independent reviews or reconciliations, supervisory review/feedback, or management review of reports?

Part 6, Compliance Supplement

12 Compliance Requirements for Single Audits

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Cost Principles
- C. Cash Management
- D. Reserved (Davis-Bacon Act)
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, and Earmarking
- H. Period of Performance
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Reserved (Real Property Acquisition & Relocation Assistance)
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions



Example: Cost Principles Compliance

COSO Principle	Considerations	Examples
Control Environment	<ul style="list-style-type: none">• Does the research community receive adequate training on cost principles and how they are applied?• Does management communicate the importance of compliance?• Does management initiate responses to reports of noncompliance and prior findings?	<ul style="list-style-type: none">• Organization-wide awareness of importance of compliance to sponsor and institutional guidelines• Management enforces appropriate penalties for misappropriation or misuse of funds• Organization-wide cognizance exists of need for separate identification of allowable costs• Management provides guidelines and a list of allowable and unallowable expenditures

Example: Cost Principles Compliance

COSO Principle	Considerations	Examples
Risk Assessment	<ul style="list-style-type: none">• Have major indicators of noncompliance been identified?• Are there processes in place for monitoring major indicators of noncompliance? For example, are there notifications/triggers indicating if:<ul style="list-style-type: none">• Charges exceed the proposed budget?• Unallowable direct costs are charged?	<ul style="list-style-type: none">• Key manager has sufficient understanding of staff, processes and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected• Metrics or reports are available to determine risk categories (i.e. volume of late cost transfers, audit reports, etc.)

Example: Cost Principles Compliance

COSO Principle	Considerations	Examples
Control Activities	<ul style="list-style-type: none">• Are policies and procedures in place that identify responsible parties for direct charging? For example, identifying, approving, posting, and reviewing charges?• Does the system contain an audit trail of all users involved in a transaction?• Are possible unallowable costs identified by the system during entry or approval?	<ul style="list-style-type: none">• Computations checked for accuracy• Supporting documentation provided for costs• Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause• Adequate segregation of duties in review and authorization of costs• Accountability for authorization is placed on individual who is knowledgeable of cost principles

Example: Cost Principles Compliance

COSO Principle	Considerations	Examples
Information and Communication	<ul style="list-style-type: none">• Is responsibility for maintaining source documentation clearly defined?• Does the system contain an audit trail of all users involved in a transaction?• Is source documentation readily available so that detailed questions can be answered during the Single Audit?	<ul style="list-style-type: none">• Reports, such as comparison of budget to actuals, provided to appropriate management for review on a timely basis• Establishment of internal and external communication channels on activities and costs• Training programs provide knowledge and skills necessary to determine activities and costs allowed• Grant agreements, regulations, program guidelines, cost principles available to staff responsible for determining costs allowed

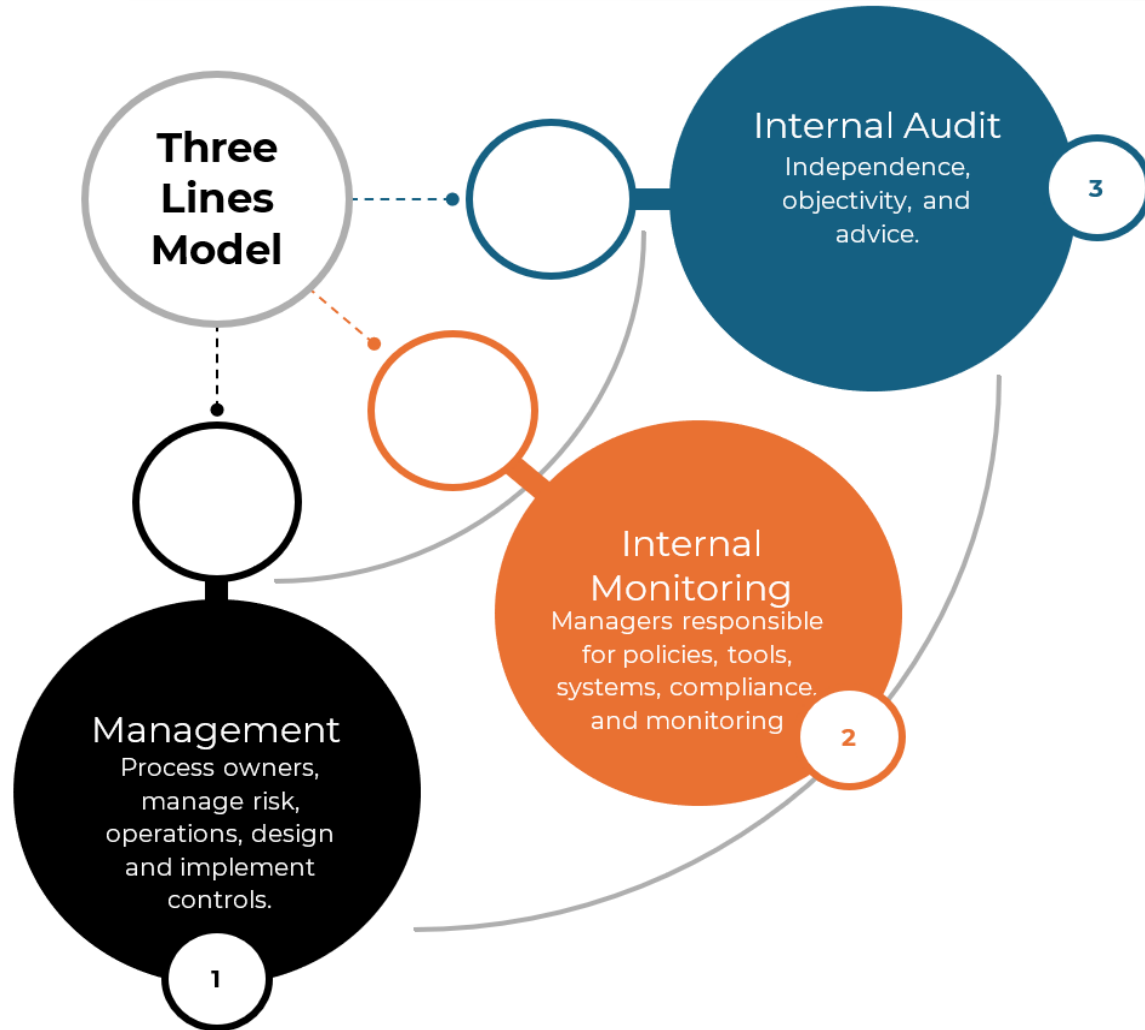
Example: Cost Principles Compliance

COSO Principle	Considerations	Examples
Monitoring	<ul style="list-style-type: none">• How is monitoring accomplished? For example:<ul style="list-style-type: none">• Are charges reviewed prior to reporting?• Are appropriate individuals signing off?• How is monitoring being reported? To what bodies is it reported?• Does Internal Audit routinely review direct charging practices?	<ul style="list-style-type: none">• Management reviews supporting documentation of costs charged• Management conducts analysis of expenditures compared with budget justification and detailed budget• Flow of information from sponsoring agency to appropriate management personnel responsible for oversight of award

Evaluate Your Internal Controls

- Do controls exist for **each area** of Single Audit focus?
- Are existing controls:
 - Appropriately **designed** to meet the control objective?
 - **Implemented** in a manner that allows the control to function as designed?
 - Consistently **deployed**?
- **Internal Controls should be evaluated on an ongoing basis**

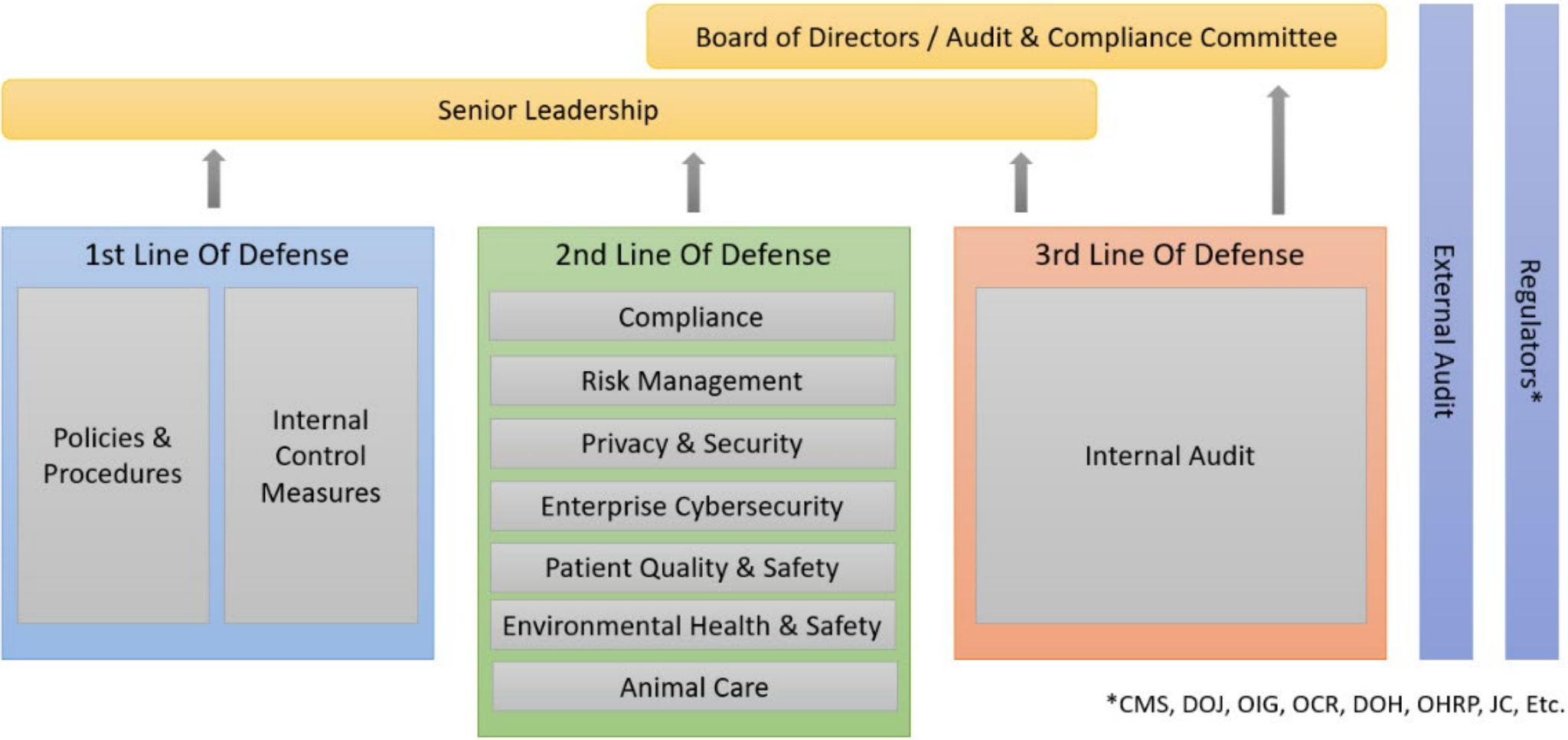
Three Lines of Defense



The [Three Lines Model](#) helps organizations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. This model applies to all organizations.



Example: VUMC Lines of Defense



Deployment of an Operational Model

First: Department Operations

- Guidelines
- Toolkits
- Functional training
- System training

Second: Central Operations

- Monthly forums
- Ongoing reconciliation
- Institution-wide tracking
- Monthly reports to leadership committees
- Resources for complex issues

Third: Central Monitoring

- Department dashboards or scorecards
- After-the-fact reviews
- Targeted training resulting from dept. monitoring

Fourth: Internal Audit

- Testing internal controls
- Data analytics
- Conducting observations

Balance is Key



Cost



Service



Efficiency



Compliance

Are you striking the right balance?



Where Do You Go For Answers?

- 2 CFR 200 of the Uniform Guidance
- Agency Rules/Guidelines
- Program Specific Guidelines
- Award Document
- Special Conditions
- Institutional Policy



What's the worst that can happen?

QUESTIONS?



**“I had a miraculous dream in which
our list of questions all had answers.”**