Assessing and Improving Your University's Research Administration Procedures and Internal Controls

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Learning Objectives

By the end of this session/workshop, participants will be able to:

1. Describe the basis for internal controls and their importance for compliance within research administration.

2. Demonstrate how to assess procedures and internal controls.

3. Share MSU's existing procedures that include/address internal controls.

4. Review/assess session participants' universities' existing procedures and internal controls.

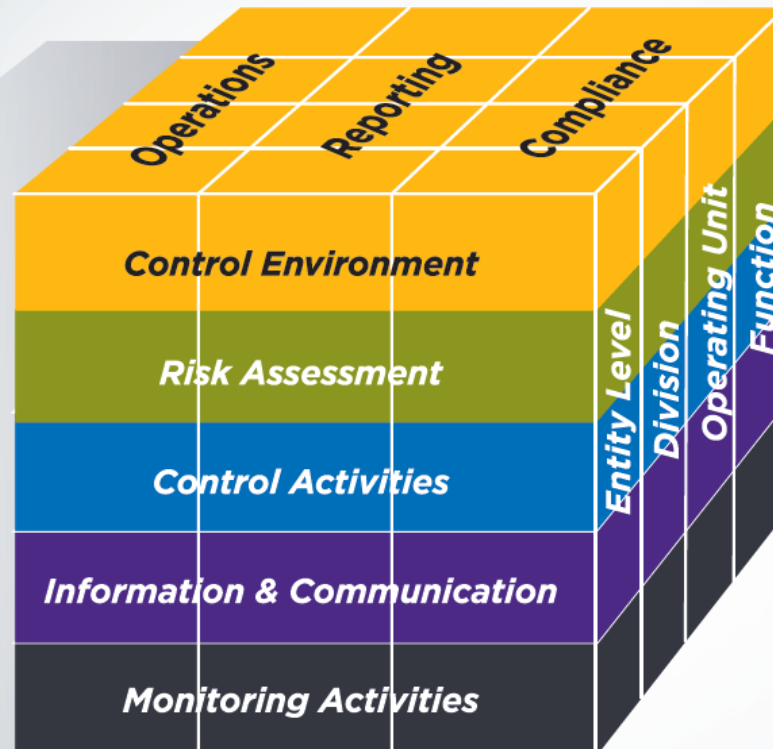# Internal Controls: What Are They?

Internal controls are a process implemented by a non-federal entity that is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(a) effectiveness and efficiency of operations

(b) reliability of reporting for internal and external use

(c) compliance with applicable laws and regulations

- 29 CFR § 99.105

https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.303

COSO Internal Control — Integrated Framework Principles

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COSO's 17 principles of internal control – summarized

Control environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibilities
3. Establishes structure, authority, and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information and communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

Underlying Principles & Regulations

Uniform Guidance: federal code of regulations as they apply to research administration (2 CFR 200)

CAS: Cost accounting standards

FAR: Federal acquisition requirements

GAAP: Generally accepted accounting principles

ALLOWABILITY TESTS

Conformance
(not prohibited)

Consistent

GOALS

Allocable

Reasonable
& necessary

UK Human Development Institute

Components of Internal Financial Control

- Segregation of Duties
- Authorization and Approval
- Reconciliation and Review
- Physical Controls
- Documentation and Recordkeeping

Segregation of Duties

Record keeping

Authorization

Custody

Reconciliation

Authorization and Approval

▶ What is authorization?
  ▶ Define activities an employee can perform
  ▶ Define transaction parameters
  ▶ Define transactions that require approval
▶ What is approval?
  ▶ Verification and validation
 ▶ Review of supporting documentation
  ▶ **Evidence of approval**

Reconciliation and Review

- A high level of inspection is expected for every cost allocated to every award.

- Research administrators need to be proactive in monitoring spending by frequently reviewing cost allocation at the department and central offices.

- Routine self-auditing catches errors before they have negative consequences.

Physical Controls
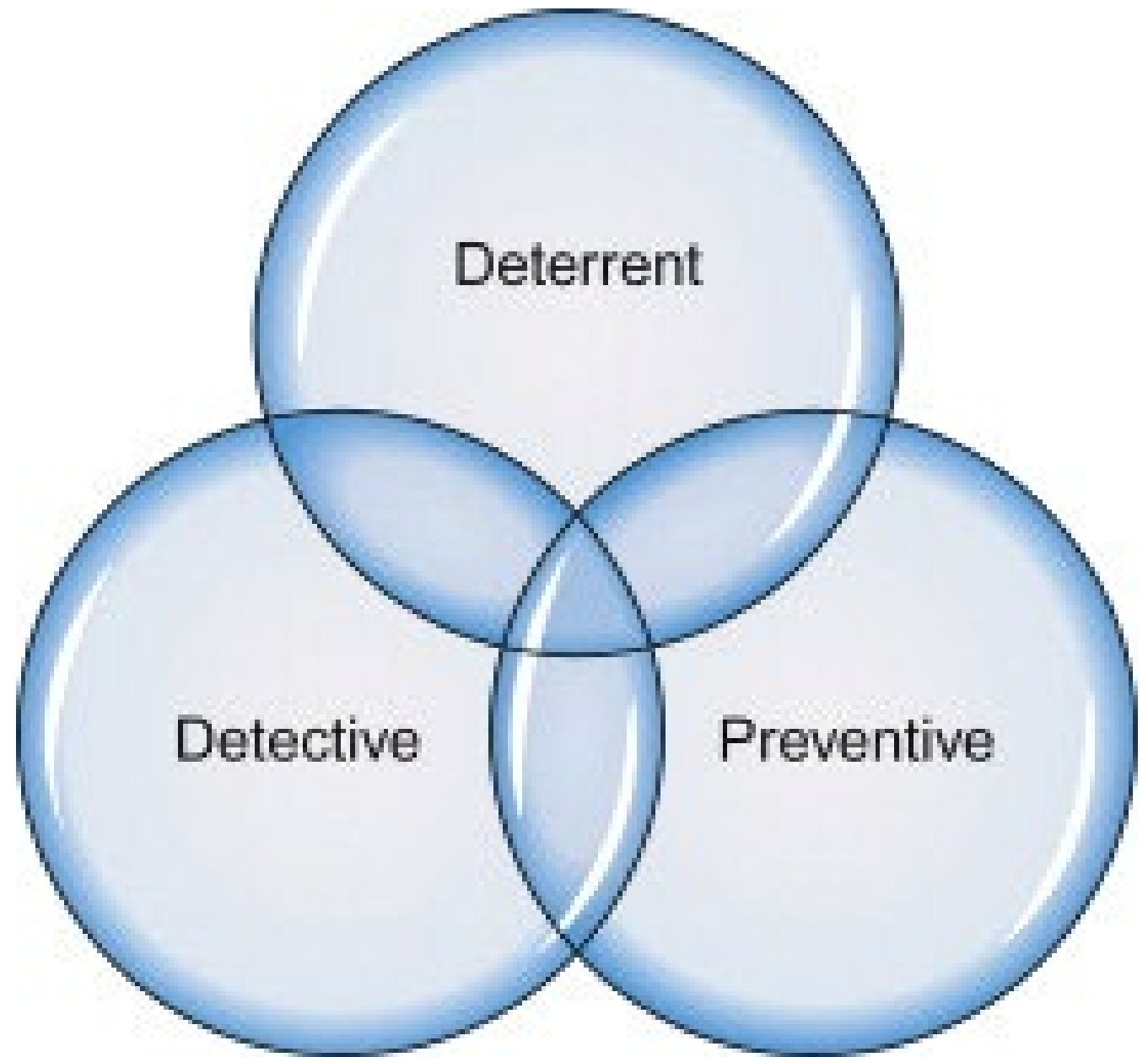
Document & Record Keeping

Retention (and then Disposal):
- Paper files
- Excel files
- Computer folders (local or cloud)
- Email
- DocuSign (or similar)
- ERP/Financial System
- Grant Management System

Institutional Policies & Procedures

Your institution must have documented spending policies and procedures

Spending must be done in a consistent manner, whether the spending is using institutional, grant, or other funds

Challenges for Internal Controls

Lack of documentation of procedures

Morgan State University
Principal Investigator Handbook
Part 3: Grant-Related Processes

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OFFICE OF RESEARCH ADMINISTRATION | morgan.edu/ora
DIVISION OF RESEARCH AND ECONOMIC DEVELOPMENT | MORGAN STATE UNIVERSITY

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Challenges for Internal Controls

Lack of documentation of procedures

Lack of training for staff doing approvals

Training

Office of Research Administration

e-Training

The Office of Research Administration (ORA) is pleased to provide a gamut of training modules touching on all aspects of administrative functions here at Morgan State University. Check back regularly for future training opportunities on functions such as purchasing card usage, budget queries, contract entry for employees, and much more!

Post Award Quick Guide	+
P-Card Trainings	+
Understanding Grant Funds in Banner	+
Contractual Salaries	+
Contractual Services	+
Time and Effort Reporting Training	+

Challenges for Internal Controls

Lack of documentation of procedures

Lack of training for staff doing approvals

PI rebudgeting, so not able to confirm spending with original budget justification

Variability of different grants' periods of performance, therefore, potential for excessive/inappropriate end-of-award spending

Checklist for Assessing Internal Controls

Identify issue or risk being addressed and the relevant internal control process

- ❑ Is the process documented?
- ❑ Is there training on the process?
- ❑ Is the process followed?
- ❑ How long does the process take?
- ❑ Have any PIs or grant staff raised concerns?
- ❑ Have any research administration staff raised concern?
- ❑ What are your proposed changes?

Examples of Processes That Work

Purchasing equipment
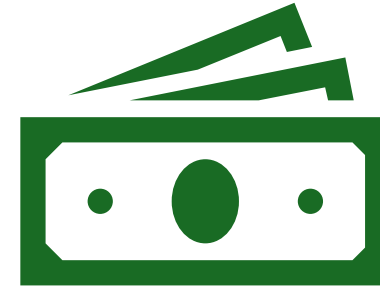
Tuition Contributions

Examples of Processes That Can Be Improved

Personnel Contracts: People initiating and approving their own contracts; decreased queue from 8 or 9 signatures to 4 or 5 signatures

Travel Authorizations: Too many signatures required

Stipends: Realized that we needed to include the graduate school

Conclusions

- Internal controls are necessary and required
- Documentation of procedures is also necessary and required
- Training for all relevant parties (principal investigators, all levels of staff) is critical
- Electronic/automated systems make the process much easier
- Reviewing internal control policies can improve your efficiency

Thank You!

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