



Fiscal Compliance as Internal Controls Measure

28th NSPAA Annual Workshop

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Agenda

- ▶ **Introduction**
 - ▶ **Who we are, what we do, where, and why**
- ▶ **Internal Controls**
 - ▶ **What is it?**
 - ▶ **What's our role**
 - ▶ **As the Central office**
 - ▶ **Budget Officers?**
- ▶ **Some MSU ORA enhancements**
- ▶ **Conversations (open for discussion)**

Purpose of Internal Controls



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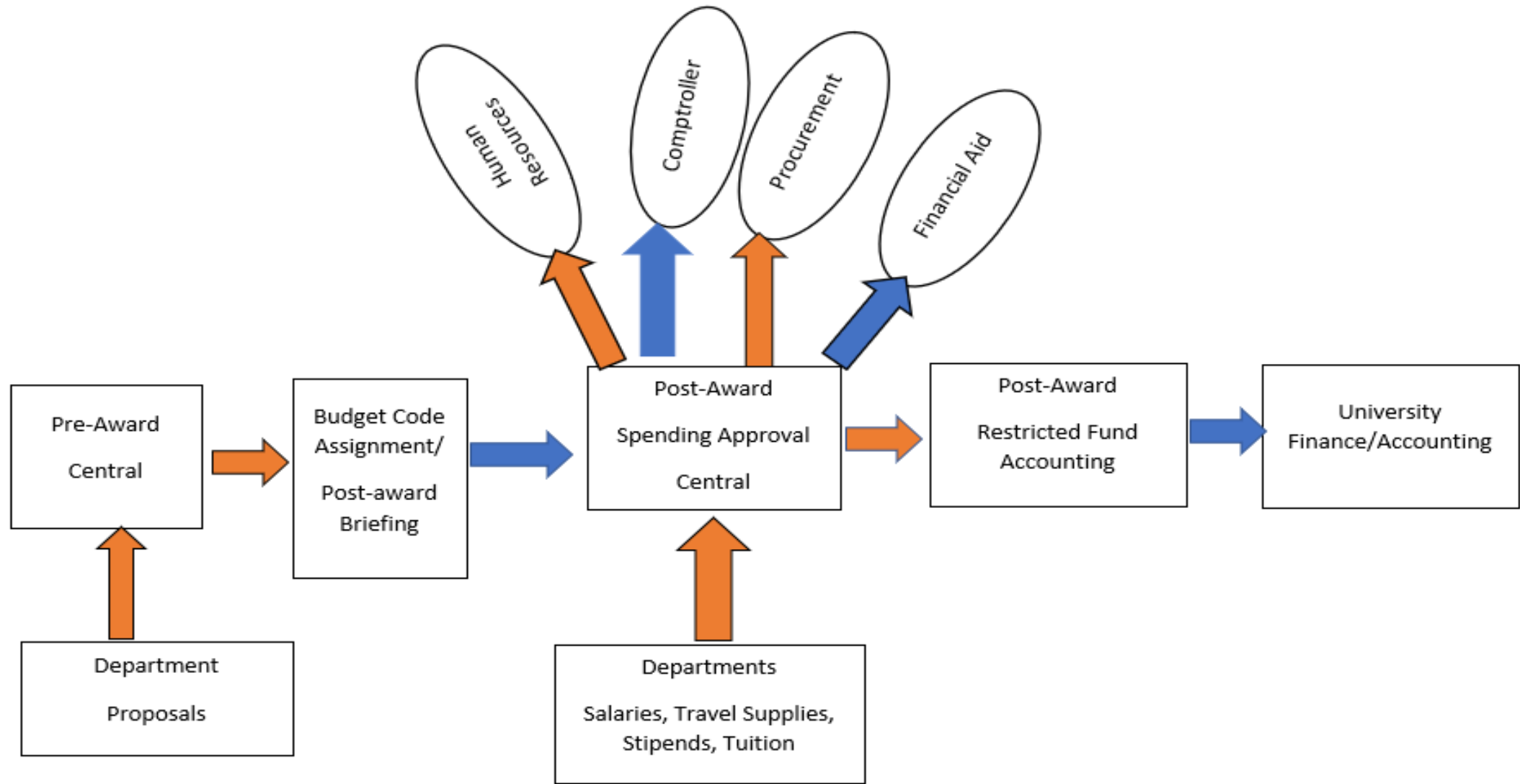
- ▶ **Financial Integrity**
- ▶ **Compliance**
- ▶ **Fraud Prevention**
- ▶ **Operational Efficiency**
- ▶ **Institutional reputation**
- ▶ **Important for future funding**
- ▶ **Institutional vision & mission**

Components of Internal Controls

- ▶ **Components of Internal Controls**
 - ▶ Segregation of Duties
 - ▶ **Authorization & Approval**
 - ▶ Physical Controls
 - ▶ Documentation and Record Keeping
 - ▶ Monitoring and Review
- ▶ **Communication is foundation**



MSU Internal Controls

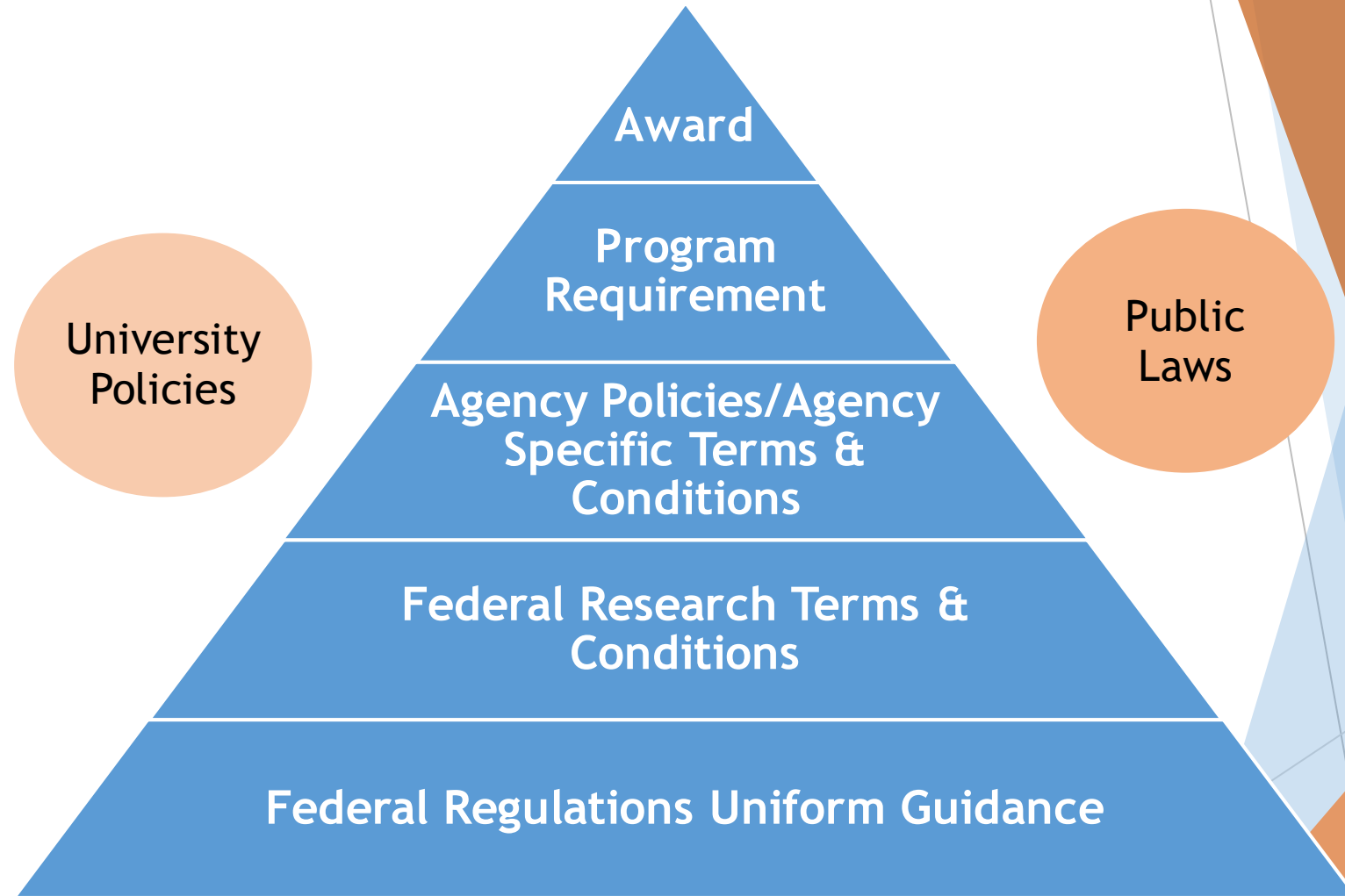


Our Role as Post Award Budget Officers

- ▶ Reviewing & approving project expenditures
- ▶ Ensuring compliance with sponsor guidelines and institution
- ▶ Our responsibilities are part of the internal controls for the institution
- ▶ MSU has internal controls within and outside of the ORA Office.

Approval= Allowability=Compliance

- **Allocability**
- **Reasonableness**
- **Consistency**
- **Conformance**
- **Allowability**



Allow/Disallow= Approve/Disapprove

- ▶ **Allocability:** This principle is of utmost importance. The cost must be directly related to the project or activity and can be assigned to that specific purpose.
- ▶ **Reasonable:**
 - ▶ A cost is “**necessary**” if it meets a vital program objective - it must address an existing need in the project.
 - ▶ A cost is “reasonable” if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances. A cost is “necessary” if it meets a vital program objective - it must address an existing need in the project
- ▶ **Consistency:** Costs should be treated consistently across similar activities.
- ▶ **Conformance:** Costs must adhere to applicable standards, such as generally Reasonable accepted accounting principles or specific regulations.

Allowability Examples- Summer Salary

- ▶ Salaries:
 - ▶ Ensure the pay on sponsored projects is consistent with the employee's institutional base salary
 - ▶ For summer contracts, the Provost's Office issues a memo with dates that faculty are allowed to work.
 - ▶ ORA requests a listing of faculty current salaries, which are used to calculate the summer hourly rate and maximum salary a faculty member can make.
 - ▶ Faculty Summer contracts are evaluated for consistency.

Allowability Examples- Travel

- ▶ Travel on sponsored projects is intended to directly benefit the project
- ▶ Travel needs to be included in the awarded budget
- ▶ International travel needs to be specifically designated as such
- ▶ ORA verifies:
- ▶ The purpose for the travel on the travel request

Allowability Example- Student Stipend

- ▶ It's crucial to note that students are limited to a maximum of 20 hours of work per week while enrolled.
- ▶ ORA verifies that the student does not have concurrent work assignments at MSU
- ▶ ORA verifies that the student is not receiving a stipend and is working concurrently
- ▶ Some challenges (rare but real):
 - ▶ What if the student is working 10 hours/ per week?
 - ▶ What about when the PI has designated funds for the stipend and most selected students are already committed to an employment contract?
 - ▶ What if payment is not received on time?
 - ▶ What about when your passion for student support conflicts with the processes?

Allowability Example-**Equipment**

- ▶ Equipment is core to the research project during the performance period (in most cases).
- ▶ Ensure that equipment purchase aligns with the project (mainly timing) because we have limited knowledge of the programmatic requirements.
 - ▶ For programmatic requirements (we trust internal controls), the approval of the PI and department chair/designee suffices.
- ▶ Some Challenges:
 - ▶ Purchasing equipment at the end of the project period of performance
 - ▶ Re-budgeting funds from equipment to other pools
 - ▶ Using equipment funds to create infrastructure (very rare but real)

Allowability/ Prior Approval

- ▶ Changes that may affect the scope of work require the sponsor's approval
- ▶ Key personnel
- ▶ Contract Modifications: Adding or terminating a contract related to the grant also necessitates prior approval
- ▶ Significant budget changes
- ▶ Equipment change e.g., Another PI has similar equipment
- ▶ Participant costs: Generally, should not be used for administrative reasons

Some Tips to Identify Non-Compliance

- ▶ Transfer across projects by the same PI
 - ▶ Participant support
 - ▶ Equipment
 - ▶ Key personnel
 - ▶ What is the % of the transfer from the line items
- ▶ International travel
- ▶ When is the equipment required in the project
- ▶ Budget/ Funds Transfer from restricted categories



Dynamic Environment



dynamic

- ▶ What is MSU ORA doing?
- ▶ Created a learning environment:
- ▶ Change Management
- ▶ Communication

What is MSU ORA doing?

- ▶ Training (In-house, conferences, webinars) for Team members and PIs
- ▶ Certifications(currently 10 RACC certifications in ORA)
- ▶ Mentorship
- ▶ Academic
- ▶ Refined, updated, and standardized processes
- ▶ Communicated the processes E.g. The PI Handbook # 3 Grant-Related processes is posted on MSU/ ORA Website
- ▶ Office of Research Administration (morgan.edu)
- ▶ Artificial Intelligence (AI) integration to the process documents
- ▶ Stakeholder buy-in; work with departments across campus
- ▶ Change is constant- new employees, different job duties
- ▶ Communication and adaptation must remain constant

References

- ▶ Uniform Guidance, Internal Controls, Code of Federal Regulations, <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.303>
- ▶ [Office of Research Administration \(morgan.edu\)](http://morgan.edu)

Open discussions- Challenges Plus.....

- ▶ Cumbersome- Excel sheet, Electronic Personnel Action Form (EPAF), and Banner Finance.
- ▶ Miscommunication or misinterpretation
- ▶ What if there is an anticipated promotion?
- ▶ When the award does not specify international travel
 - ▶ Ask PI to get written approval from the sponsoring agency

Thank You!

The background features a series of overlapping, semi-transparent geometric shapes, primarily triangles, in shades of blue and orange. These shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be layered on top of others. The colors are vibrant and modern, contributing to a clean and professional aesthetic.