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Taking Control: The Importance of Internal Controls in Post Award Management

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OBJECTIVES

- **The learner will gain knowledge in what internal controls are and the importance of incorporating internal controls into post award management.**
- **We will discuss the implementation of internal controls during the life of the award, from award setup through closeout.**

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WHAT ARE INTERNAL CONTROLS?

Research Administrators: Piloting Award Management!



How Do The Feds Define Internal Controls?

- UNIFORM GUIDANCE 2 CFR 200.303 SUBPART D (highlights)
 - (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal Award.....
 - (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
 - (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
 - (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

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Is This All Inclusive of Internal Control?

**SPONSORING
AGENCIES**

**UNIVERSITY
SENIOR
LEADERSHIP**

**CENTRAL
OFFICES**



**PI & RA
Not Here!**

Mind Shift!

**RESEARCH ADMINISTRATION
PROFESSIONAL-we are the first line of
offense and defense**

**CENTRAL OFFICES-they
strengthen, support, and
cross check**

**SENIOR LEADERSHIP
SPONSORS**

University Relevance

➤ *Internal Control is relevant to everyone in the University, but particularly when touching sponsored funds.*

➤ *What is it really for:*

- Help safeguard the institution, minimize risk and protect assets
- Ensure accuracy of records
- Promote operational efficiency and effectiveness
- Reliability of financial reporting
- Compliance with applicable laws and regulations

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Post Award Management Areas for Internal Control

- POST AWARD FINANCIAL MANAGEMENT RISK
- COMPLIANCE
- EXPORT CONTROL
- CONFLICT OF INTEREST
- COST ANALYSIS/EFFORT
- SCIENCE AND SECURITY
- AUDIT
- RESEARCH INTEGRITY



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Internal Control Conceptual Structure



AWARD SETUP INTERNAL CONTROLS

- Award Setup—who is checking award terms and conditions? – *Compliance, Export Control, Cost Analysis/Effort, Post Award Financial Management (PAFM), Audit, Risk, COI, Integrity, Science & Security*

NOTE: *This is one area that is often overlooked in the life-cycle process if there is pre- and post- separation.*

AWARD SETUP KEY TAKEAWAYS

- **Review, Review, Review!**
 - **Review FOA**
 - **Review NOA**
 - **Review database setup for accuracy – including correct general ledger categories, F&A rate, fringe benefits rates, etc.**
 - **Input key deliverables (invoicing, reporting, actual scientific deliverables) into tracking database if applicable**

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AWARD MANAGEMENT INTERNAL CONTROLS

➤ Proactive Award Management, Front End Controls:

- **Purchasing/Procurement – *Compliance, PAFM, Risk, Audit, Cost Analysis***
- **Travel - *Compliance, PAFM, Risk, Audit, Cost Analysis***
- **Reimbursements - *Compliance, PAFM, Risk, Audit, Cost Analysis***
- **Effort Management - *Compliance, PAFM, Risk, Audit, Cost Analysis***
- **Consultant Invoice Review - *Compliance, PAFM, Risk, Audit, Cost Analysis***

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AWARD MANAGEMENT INTERNAL CONTROLS, cont.

➤ Subrecipient Monitoring:

- Risk Assessment:** The evaluation and continued monitoring of each subrecipient, including but not limited to review of financial and audit reports, verification in SAM.gov, review of past and current performance, etc.
- Subrecipient Agreement Review** (automatic carryforward, invoicing cycle, reporting cycle, budget, expenditure categories, expanded authority) – *Compliance, PAFM, Risk Audit, Cost Analysis*
- Subrecipient Invoice Review** - *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Subrecipient Reporting Review** – *Compliance, Risk, Audit, Scientific*

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AWARD MANAGEMENT INTERNAL CONTROLS, cont.

- Subrecipient Compliance Review (COI/FCOI, human subjects, animal studies) – *Compliance, Risk, Audit*
- Subrecipient Export Controls Review (foreign entity, foreign components) – *Compliance, Risk, Audit*

Overall, the PI is responsible for monitoring all aspects (fiscal and programmatic). However all key stakeholders (department/managing units, schools, and central offices) share in this responsibility! - *Compliance, Risk, Audit, Scientific*

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AWARD MANAGEMENT INTERNAL CONTROLS, cont.

➤ Monthly Monitoring, Center Controls:

- Reconciliation-deep dive review of all transactions – *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Projections and Burn Rates - *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Cost Share - *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Effort Management - *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Timely Actions – payroll and non-payroll cost transfers, rebudgeting, modifications, no-cost extension, PI transfers - *Compliance, PAFM, Risk, Audit, Cost Analysis*
- Monitor Award Revenue - *Compliance, PAFM, Risk, Audit, Cost Analysis*

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AWARD MANAGEMENT KEY TAKEAWAYS

- Be **PROACTIVE** instead of **REACTIVE!**
 - Review on the front end! This will decrease cost transfers on the back end!
 - Payroll actions in a timely manner.
 - Review expenditures at time of entry and/or approval.
- Review all expenditures for allowability, allocability, reasonableness.
- Follow all sponsor and institutional policies, terms and conditions.
 - Read FOA and NOA.
 - Know your institutional policies.

AWARD CLOSEOUT INTERNAL CONTROLS

- Personnel-allocated properly, cost distributions complete, tuition remission, supplemental payments, cost sharing, all transactions considered- *Compliance, Cost Analysis, Effort, Audit, PAFM, Risk*
- Non-Personnel-all reconciliation complete, no items in workflow such as JVs, AP, encumbrances removed, parent/sub rebudgets complete, cost transfers complete- *Compliance, Cost Analysis, Audit, PAFM, Risk*
- Equipment-was there equipment, properly approved and documented, any cost sharing, asset properly tagged and/or disposed-
- Subrecipient Invoicing/Monitoring-all invoices received, correct and posted to general ledger

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AWARD CLOSEOUT INTERNAL CONTROLS, cont.

- Award Closeout, Final Controls:
 - Cost overrun, Residual Balance, Unobligated Balance? - *PAFM*
 - Technical Reporting- *Research Integrity, Compliance*
 - Are we meeting internal and sponsor deadlines to close? - *Risk*
 - Clean and reportable? – *Compliance, Cost Analysis, Effort, Audit, PAFM, Risk*

- Risk: audit trigger, perceived as no internal controls, financial impact to the institution

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Award Closeout Takeaways

- **If you are proactive on the front end, less clean up at closeout!**
- If there is surplus budget, what are the sponsors requirements – return funds, keep the balance?
- If there is a deficit budget, how do we handle?
- Are there measures in place for payroll transfers to another source?
- What are the deadlines for the final financial report? Final progress report?
- Do we have final reports from the subawards?
- Will there be a NCE - has it been requested?
- What is the sponsor and institutions retention policies for closed awards?

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RED HOT COMPLIANCE TOPICS-WHAT ELSE?

ALLOWABLE COSTS	PARTICIPANT SUPPORTS COSTS/PATIENT COSTS
ALLOCABLE COSTS	PRIOR APPROVAL REQUIREMENTS
AUDIT	PROGRAM INCOME
CONSISTENCY	PROJECT EXTENSIONS/NO-COST EXTENSIONS
CONSULTANT SERVICES	PUBLICATIONS
COST ACCOUNTING STANDARDS	REASONABLE COSTS
COST TRANSFERS	REBUDGETING
EFFORT REPORTING	RECORD RETENTION
EQUIPMENT	REPORTING
EXPANDED AUTHORITIES OR WAIVER OF AUTHORITIES	SALARY CAPS
FOREIGN ACTIVITY	SIGNIFICANT PROJECT CHANGES
INTERNAL CONTROLS	SUBRECIPIENT MONITORING
KEY PERSONNEL	TRAVEL

KEY TAKE AWAYS

- IT STARTS WITH THE RESEARCH ADMINISTRATION PROFESSIONAL-We are the first line of offense and defense for the institution.
- APPLIES TO ALL AREAS OF RESEARCH ADMINISTRATION-Proposal Development and Submission, Award Setup, Award Management, Project End and Closeout.
- YES, WE ARE PROFESSIONALS, NOT PROCESSORS-stop pushing buttons! Use your critical thinking – just because the PI wants it, or it appears to be a “reasonable” expense – is it compliant for the award, the institution and the sponsor!

LIFE-CYCLE INTERNAL CONTROLS



RESOURCES

- Institutional training
- Sponsor training
- SRAI and other Research Administration organizations
- Listservs: Institutional, sponsor, Resadmin-L
- LinkedIn
- And us!
 - Carly Pigg: cgerva@lsuhsc.edu
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