

Questions & Answers

ACUA Webinar – Wednesday, August 24, 2016

Uniform Guidance – COSO and the Green Book: How I learned to love Internal Controls

Questions:

The green book isn't new. the first was published in 1999. the revision is recent.

Correct! The Green Book was first issued in 1983, and most recently updated in 2014. The 2014 revision took effect October 1, 2015.

Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. Standards for Internal Control in the Federal Government, known as the "Green Book," sets the standards for an effective internal control system for federal agencies.

- COSO Definition: "A process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the objectives relating to operations, reporting, and compliance."
- Green Book Definition: "An integral component of an entity's management that provides reasonable assurance that the objectives of an entity are being achieved. These objectives and related risks can be broadly classified into one or more of the three following categories:
 - ✓ Operations – Effectiveness and efficiency of operations
 - ✓ Reporting – Reliability of reporting for internal and external use
 - ✓ Compliance – Compliance with applicable laws and regulations

Any new developments on Performance Management or Conflict of Interest?

There are no new developments related to Performance Management and Conflict of Interest in the Uniform Guidance at this time.

At your institutions, who certifies the individual certifications for staff who may work on multiple grants? The big advantage of project certifications is that the PI for each project certifies the effort on that project only. How does the certifier know about the effort on other projects that a staff member may be working on where the PI is not involved?

As indicated in the Webinar, project certification is a demonstration being conducted by the FDP with four institutions (Michigan Tech, George Mason, University of California, Irvine and University of California, Riverside). The webinar covered the lessons learned from George Mason. Most institutions are waiting for the final results of the projects before deciding if project certification is the route to go down.

Can the sub-recipient be a company or organization that is also owned by the Pass-through Entity PI?

Different institutions will have different policies on this topic. Some will expressly prohibit such an action, and some will allow it with certain controls. As an example, a university in this situation could ensure that the Lead PI has disclosed the conflict within their conflict of interest monitoring system, and the Lead PI on a federal award would not be the Lead PI on the sub-award. There could also be another signatory, such as a department chair, on all sub-award payments. But the first step should always be checking on your institution's policy.

Can you please tell me where this checklist is again? I didn't catch that.

The Federal Demonstration Partnership (FDP) developed a checklist for sub-recipient monitoring. It serves as a risk assessment questionnaire and an assessment tool on their website that could be used as checklist. The link to the questionnaire is found at: http://sites.nationalacademies.org/PGA/fdp/PGA_063626.

Discuss effort reporting when PI is working for a VA location. How will institutional effort be impacted in these instances?

Some teaching hospitals also have an affiliated VA Hospital. While doctors at the affiliated VA Hospital may have a courtesy appointment at the teaching hospital, they are federal employees at the VA Hospital, and so institutional effort would not include their VA Hospital appointment.

Do you complete the checklist for all sub-awards or just for the ones you are unsure?

It depends on the culture of compliance for your institution and how it perceives risk. Most institutions, for consistency, complete a checklist for all sub-awards to ensure uniformity. The Federal Demonstration Partnership (FDP) has a risk assessment tool (http://sites.nationalacademies.org/PGA/fdp/PGA_063626) that can be used as a checklist for sub-awards.

I have heard interpretations of the UG that because effort certification is not explicitly required in the guidance that it is no longer required. Would you comment on that?

One of the commonly discussed areas of change as a result of the Uniform Guidance is the requirements surrounding tracking and reporting of payroll related costs. Located in section 2 CFR 200.430, and commonly referred to as time and effort reporting.

The primary focus of the revised time and effort requirements is that strong internal controls must exist for the reporting of salaries and wages to ensure that the payroll charged to various grants match were actual time is spent. While the previous standards were more prescriptive in the documentation requirements (for example, the use of semi-annual certifications for those employees working full-time in a program or

personnel activity reports for those employees working under multiple grants), the new standards provide more flexibility in the process, with the focus being on controls to ensure that time is charged to grants appropriately.

The Uniform Guidance requires that time distribution records must be maintained for all employees whose salary is paid in whole or in part with federal funds or is used to meet a match or cost-share requirement for a grant.

I'm new to education - what is a PI?

Principal Investigator

What is a PI?

Principal Investigator

In the example of PI owning sub-recipient, do all employees who may potentially work on grants (including PIs) complete Conflict of Interest forms? And are these documented?

It is recommended to follow your Institution's policies for reporting of Conflict of Interests.

IS COSO or Green Book Required or Recommended?

Although COSO's guidance is non-mandatory, it has been influential because it provides frameworks against which risk management and internal control systems can be assessed and improved. Corporate scandals, arising in companies where risk management and internal control were deficient, and attempts to regulate corporate behavior as a result of these scandals have resulted in an environment where guidance on best practice in risk management and internal control has been particularly welcome.

Within the research administration community, the concept of internal controls has garnered increased attention recently especially with the release of the Uniform Guidance (UG) [1] and in particular section §200.303 Internal Controls found in SubPart D-Post Federal Award Requirements, Standards for Financial and Program Management. So, what are internal controls and why are they so important? Let's start with a definition. COSO and the Uniform Guidance use the same definition for internal controls.

The internal control structure "should" be in compliance with Standards for Internal Control in the Federal Government (Green Book) issued by the Comptroller General of United States and the Internal Control Integrated Framework issued by the COSO. However, it is not a requirement that the non-federal entity strictly follow the Green Book or the COSO Framework.

Is there a matrix or Audit Program that an IA department can use to look at these specific requirements?

The FDP is also actively involved in development of a Research Terms and Conditions document. The National Science Foundation is working on developing these broad-based Research Terms and Conditions, but they are not available yet.

Is there a template for effort reporting (an example of what the PI would need to sign)?

There is not a template, our recommendation is follow the guidelines in 2 CFR 200.430, Compensation, Personnel Services. OMB has shifted the focus toward an internal control framework as opposed to requiring specific documentation and standardized forms, like the prior requirement for personnel activity reports (PAR). All charges to federal awards for salaries and wages must have recorded evidence to accurately reflect the work performed. The guidance does not state how the documentation must be maintained, allowing organizations more freedom to tailor controls and processes to their needs.

Sorry...can you clarify...did the Uniform Guidance replace OMB cir. A-21? Or is it a supplement?

Office of Management and Budgets (OMB) consolidation of circulars for costing, administration and audit of Federal awards. 2 CFR 200 replaces 8 circulars and applies to universities, state and local governments, nonprofits, native tribes.

If there is a complaint that the personnel charges are made to awards that have money instead of to the awards on which the PI actually worked, how do you verify that the PI charged where he/she worked instead of where the money is?

If there is a complaint that personnel charged made to awards are based on available funds instead of effort performed, my expectation is that an internal auditor would have a conversation with the PI to determine if there is merit to the complaint.

What is the compliance risk associated with not have clearly defined IBS?

Institutional Base Salary or IBS is annual compensation paid for an individual's appointment (9 or 12 months), whether that individual's time is spent on research, teaching, administration, or other activities. IBS does not include supplemental payments (one time or recurring), administrative supplements and/ or compensation for special programs and activities. Additionally, IBS does not include payments from other organizations or income that individuals are permitted to earn outside of their institutional responsibilities, such as consulting.

IBS rate must be used as the base salary on all grant proposals. For effort reporting purposes, total institutional effort is 100% effort, regardless of the individual's appointment (e.g., 0.5 FTE, .625 FTE, 1.0 FTE). No individual may commit more than 100% institutional or summer effort or be compensated at a rate that would exceed

their annualized institutional base salary. Applicable Uniform Guidance section: 200.430
- Compensation Personal Services