A SELF-ASSESSMENT FOR INTERNAL CONTROLS AND THE SINGLE AUDIT

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INTERNAL CONTROLS
QUICK CHECK: A SELF-ASSESSMENT GUIDE FOR INTERNAL CONTROLS AND THE SINGLE AUDIT

A PREAMBLE

The release and implementation of the Uniform Guidance puts an added emphasis on the role of internal control at the grantee institutional level in providing reasonable assurance that the objective of compliance with the Uniform Guidance, other federal regulations and individual award terms and conditions will be achieved. Further, the Uniform Guidance requires an assessment of internal control to be within the scope of the Single Audit (formerly A-133 Audit) and clarifies that the Compliance Supplement will provide guidance on internal controls over federal programs based upon the Green Book and COSO.

The Compliance Supplement, including Part 6, was released in June 2016 and updated in August 2017. It provides the guidance promised, reinforcing institutionwide concepts of internal controls, such as strong commitment from leadership, separation of duties and ongoing monitoring and assessment processes. The Compliance Supplement connects the Green Book and COSO to the institutional control environment by:

1. Outlining the five components of internal control (used to organize the Green Book and COSO).

2. Listing the 17 principles related to these five components (introduced by COSO).

3. Detailing characteristics of internal control relating to each of the five components of internal control (by principle) that should reasonably ensure compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards.

Most importantly, Part 6 emphasizes that a balance should be struck between the strength of controls, the relative risks associated with particular programs and operations, and the impact of controls on efficiency. **Your institution is free — and even encouraged by the Compliance Supplement — to implement internal controls that make sense for your institution and your unique circumstances.**

HOW HURON CAN HELP

Once you have conducted your own internal assessment, you may be looking to confirm your perspective or have questions on what action to take next. Huron can further assist you with a broad evaluation of internal controls, focused assessments of areas of concern, and recommendations for and implementation of enhanced and efficient controls.

For those institutions looking for a broader assessment of their Research Compliance Program, Huron also conducts a fast-tracked approach to evaluating and improving an institution's compliance readiness year over year with an Accelerated Research Compliance (ARC) Annual Assessment. In just three to four weeks, Huron can help you assess your overall compliance infrastructure and specific research areas subject to institutional and/or governmental regulatory compliance requirements, including the effectiveness of your internal controls in those focus areas of the Single Audit.

Huron has worked with more than 500 universities and research institutions, including all of the largest public and private research universities. Our team has deep knowledge of federal regulations, including Uniform Guidance, as well as policies issued by major funding agencies. This enables us to efficiently analyze existing policies, procedures and actual practices at clients and advise on how to improve them in terms of compliance, efficiency, cost-effectiveness, and investigator, sponsor and staff satisfaction. For more information, contact one of our compliance leaders:

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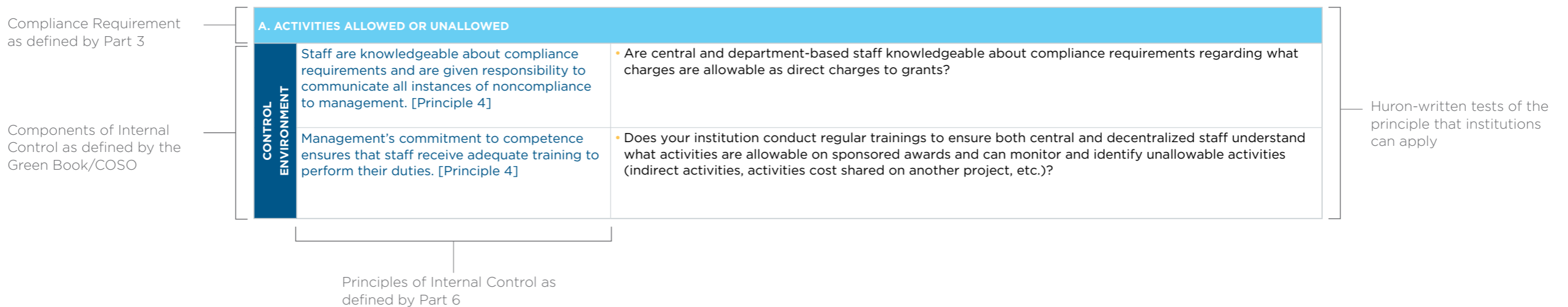312-880-3393 | mzuskar@huronconsultinggroup.com

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HOW TO USE THIS GUIDE

Huron has reviewed Part 6 of the Compliance Supplement and the Uniform Guidance and developed this guide. The purpose of this guide is to provide context and illustrative examples of internal controls to assist your institution with examination of its own internal controls in consideration of the framework provided by Part 6. For each of the 12 compliance requirements of the Single Audit (as defined by Part 3 of the 2017 Compliance Supplement), we walk through the five components of internal control and highlight key considerations for a selected set of principles.

This guide is designed to provide a starting point for evaluation and discussion, given the increased attention and expectations for internal controls in the current regulatory environment and the Single Audit. It is not intended as a comprehensive audit preparation guide or a complete inventory of all recommended controls. We do not address every applicable principle of internal control but encourage institutions to do so in preparation for the Single Audit.

This guide is not intended to define a prescriptive set of controls, but rather to promote a systematic approach for evaluating internal controls. A "YES" answer to a question in any one section does not necessarily mean your institution has established effective internal controls; you should follow up with the questions, "Is it working to manage risk? Is it working for our institution?" Answering "NO" does not necessarily mean your institution is out of compliance, but your follow-up question should be, "What do we do instead, and is our alternative working?"

With this understanding of your own internal controls, you can proactively focus enhancement and improvement efforts before auditors arrive on-site.

Compliance Requirement as defined by Part 3

Components of Internal Control as defined by the Green Book/COSO

Huron-written tests of the principle that institutions can apply

Principles of Internal Control as defined by Part 6

A. ACTIVITIES ALLOWED OR UNALLOWED

| CONTROL ENVIRONMENT | Staff are knowledgeable about compliance requirements and are given responsibility to communicate all instances of noncompliance to management. [Principle 4] | • Are central and department-based staff knowledgeable about compliance requirements regarding what charges are allowable as direct charges to grants? |
| | Management's commitment to competence ensures that staff receive adequate training to perform their duties. [Principle 4] | • Does your institution conduct regular trainings to ensure both central and decentralized staff understand what activities are allowable on sponsored awards and can monitor and identify unallowable activities (indirect activities, activities cost shared on another project, etc.)? |

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What the Federal Regulations Say About Internal Controls

Office of Management and Budget (OMB) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")

§200.61 Internal controls. *Internal controls* means a process, implemented by a non-federal entity, 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; and

 c) Compliance with applicable laws and regulations.

§200.303 Internal controls. (a) … These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

§200.514 Scope of audit (c) Internal Control. The auditor must perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.

COFAR FAQ (August 2015)

200.303-3 Should vs Must and the Green Book. While non-federal entities must have effective internal control, there is no expectation or requirement that the non-federal entity document or evaluate internal controls prescriptively in accordance with these three documents (The Green Book) or that the non-federal entity or auditor reconcile technical differences between them. They are provided solely to alert the non-federal entity to source documents for best practices.

2017 OMB 2 CFR 200, Subpart F — Compliance Supplement ("Compliance Supplement"), Part 6 — Internal Controls

Non-federal entities' program managers must carefully consider the appropriate balance between controls and risk in their grant award programs and operations. Too many controls can result in inefficient and ineffective operations. …Additionally, the benefits of controls should outweigh the costs. Non-federal entities should consider both qualitative and quantitative factors when analyzing costs against benefits.

COMPLIANCE REQUIREMENTS

D. RESERVED (DAVIS-BACON ACT)

K. RESERVED (REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE)

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A. ACTIVITIES ALLOWED OR UNALLOWED

CONTROL ENVIRONMENT	Staff are knowledgeable about compliance requirements and are given responsibility to communicate all instances of noncompliance to management. [Principle 4]	• Are central and department-based staff knowledgeable about compliance requirements regarding what charges are allowable as direct charges to grants?
	Management's commitment to competence ensures that staff receive adequate training to perform their duties. [Principle 4]	• Does your institution conduct regular trainings to ensure both central and decentralized staff understand what activities are allowable on sponsored awards and can monitor and identify unallowable activities (indirect activities, activities cost shared on another project, etc.)?
RISK ASSESSMENT	Management considers the potential for fraud when identifying, analyzing, and responding to risk. [Principle 8]	• Has your institution developed a process for some level of regular review of grant transactions? Does this review include additional scrutiny for transactions determined to be "high-risk" by your institution (e.g., late cost transfers, changes to previously certified compensation, etc.)?
	Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives. [Principle 7]	• Does your institution have established procedures for identifying projects, departments or PIs with an elevated risk of charging unallowable costs? Do you have specific steps you take when you identify those areas of high risk? • Does your institution use data analytics to identify specific risks in charging unallowable activities? For example, reporting charges posted at the end of the grant period, by Department and PI, to identify high risks and target training opportunities and monitoring efforts?
CONTROL ACTIVITIES	Operating policies and procedures exist and are clearly written and communicated. [Principle 11]	• Does your institution have current, well-defined policies and procedures for monitoring allowable activities, and are they clearly communicated institutionwide? • Do documented policies and procedures reflect current practice? • Have policies and procedures been updated to reflect any changes implemented as a result of the Uniform Guidance?
	Computer and program controls include exception reporting. [Principle 11]	• Do your internal systems have controls to flag and report on certain groups of high-risk expenditures charged to grants? For example, office supplies, expenditures over a certain dollar threshold, food and drink charges, etc.
INFORMATION AND COMMUNICATION	Established internal and external communication channels exist. [Principle 14]	• Do investigators know whom to contact when they have a question about allowability?
	Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required in the statutes, regulations, and the terms and conditions applicable to the program. [Principle 13]	• Does your institution have adequate source documentation to support the classification of activities as allowable to charge to grants? Examples of this source documentation might include effort reports or verified expenditure reports. • Is source documentation well organized for the life of your institution's record retention policy? For example, do organized and accessible files exist for awards that ended one year ago? Three years ago?
	The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both. [Principle 13]	• Does your institution identify when awards are federally funded and thus subject to Uniform Guidance standards for allowability? • Does your institution have a process to separately capture indirect activities in order to inform the indirect cost rate calculation?
MONITORING	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Is there an internal structure that provides quality control reviews to ensure activities charged to awards are allowable, in line with the objectives of the project and meeting sponsor expectations?

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B. COST PRINCIPLES

CONTROL ENVIRONMENT	Management makes evident its support of adequate information and reporting systems. [Principle 1]	• Is there a "source of truth" for charges that have posted to a sponsored award that is complete and accurate, as opposed to relying on shadow systems to track and monitor expenditures? • Are reports readily available to facilitate the review of direct charges? Are these reports reviewed frequently?
RISK ASSESSMENT	Program managers and staff understand and have identified key compliance objectives and risk tolerances. [Principle 6]	• Does your institution have an overall approach to monitoring allowable direct charges on grants? Are the research administration roles and responsibilities with respect to monitoring allowable direct charges clearly defined? • Are there processes in place for monitoring major indicators of noncompliance? For example, are there notifications or triggers indicating if charges exceed the proposed budget or if unallowable direct costs categories are charged?
CONTROL ACTIVITIES	Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]	• Does your institution have adequate segregation of duties (requestor/approver/reporter) for cost transfers and purchases?
	Computer and program controls include computer general and security controls. [Principle 11]	• Does your financial system contain an audit trail of all users involved in a transaction?
INFORMATION AND COMMUNICATION	Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that records are retained for the time period required. [Principle 13]	• Does your institution have a central policy that outlines the federal record retention times and defines who is responsible for record retention on sponsored programs? • Is source documentation readily available so that detailed questions can be answered during the Single Audit?
MONITORING	Periodic site visits are performed at decentralized locations and checks are performed to determine whether procedures are being followed as intended. [Principle 16]	• Does management review a sample of reports or sign off on reports as a quality assurance process to ensure staff are following the procedures as intended?
	Internal audit routinely tests for compliance with Federal requirements. [Principle 17]	• Does your institution have a sponsored research focus in Internal Audit's work plan? When was the last time Internal Audit reviewed an element of your direct charges or policies and procedures? Are faculty and staff a part of this process?

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C. CASH MANAGEMENT

CONTROL ENVIRONMENT	Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]	• Has management defined a process for calculating the amount for letter of credit drawdown? • Has management implemented and clearly defined a process to monitor subrecipient cash management (and ensure subrecipients are minimizing elapsed time)?
RISK ASSESSMENT	The organizational structure provides identification of risks of noncompliance; Management has identified and assessed complex operations, programs, or projects. [Principle 7]	• As earning, accounting for and reporting interest on federal funds is often considered a complex process, is there a process for monitoring and managing interest earned on advances of federal funds? • Considering other more complex processes, are there processes in place to monitor and confirm that program income, rebates, refunds and other income and receipts are accounted for and distributed before requesting additional cash payments from the federal government?
CONTROL ACTIVITIES	Computer and program controls include reviews of input and output data. [Principle 11]	• Does your cash management process provide reports of requests, receipts and application of cash? Is management reviewing that invoices are sent in a timely fashion and following up on accounts receivable?
	Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]	• Does your institution have a process for calculating, requesting, receiving and disbursing federal funds that includes adequate segregation of duties across these roles?
	Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards. [Principle 11]	• Has your institution adequately transitioned to the NIH PMS subaccounting process and addressed any balances that may have been identified during the transition?
INFORMATION AND COMMUNICATION	Reports are provided timely to managers for review and appropriate action. [Principle 13]	• Are reports provided to management for review in a timely manner to oversee cash management, such as significant positive or negative cash balances on awards or high "unapplied" account balances?
	Reconciliations and reviews ensure accuracy of reports. [Principle 13]	• Are reviews in place to confirm accuracy of letter of credit draws and federal invoices?
MONITORING	Internal audit routinely tests for compliance with Federal requirements. [Principle 17]	• Does Internal Audit regularly review and audit the calculation, request and applicability of letter of credit draws?
	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Are there levels of approval and review (across levels of your institution) prior to issuing a refund or return of sponsor funds?

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E. ELIGIBILITY

CONTROL ENVIRONMENT	Management makes evident its support of adequate information and reporting systems. [Principle 1]	• Has your institution clearly defined a process of documenting and verifying eligibility of subrecipients to receive funds under an award prior to issuing the subaward by obtaining a sufficient level of information about the subrecipient and the program requirements? • Does your institution maintain documented requirements for who can be a PI or collaborator on a federal award?
RISK ASSESSMENT	Management considers the potential for fraud when identifying, analyzing, and responding to risk. [Principle 8]	• Does the eligibility determination consider whether conflicts of interest may exist between the project team and the potential subrecipient? • Does the eligibility determination consider whether other conflicts of interest exist for the project team?
CONTROL ACTIVITIES	Management prohibits intervention or overriding established controls. [Principle 11]	• Does your institution have established procedures for creating and maintaining management plans to address identified conflicts for the PI and project team? • If a subrecipient is determined to be ineligible for a given program, does your institution have defined procedures for an investigator/subrecipient to appeal a decision? Do all variations from initial determination follow this plan — with no exceptions?
INFORMATION AND COMMUNICATION	Accurate information is accessible to those who need it. [Principle 13]	• Are internal records maintained to track individuals who are specifically ineligible to contribute to federally funded projects? Are these records readily accessible by management?
	There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]	• Are subrecipients providing adequate information to allow your institution to make a determination on subrecipient eligibility? Does your institution seek information from other sources if information provided by the subrecipient is inadequate?
MONITORING	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Does management regularly meet with staff to oversee, review and discuss the eligibility determination for subrecipients? • Does management perform periodic checks of the System for Award Management (SAM) to confirm the eligibility of key personnel and subrecipients?

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F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

CONTROL ENVIRONMENT	Key managers' responsibilities are clearly defined. [Principle 3]	• Is there a central authority to specifically manage the acquisition and tracking of equipment/property purchased on grants and contracts?
	Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]	• Is the appropriate management of equipment/property (such as adequate maintenance, location tracking and safeguarding) emphasized to equipment "owner"' when purchasing equipment with federal funds?
RISK ASSESSMENT	Management is aware of results of monitoring, audits, and reviews, and considers related risk of noncompliance. [Principle 7]	• If a department cannot reconcile physical inventory in a given year, does your institution increase monitoring or oversight of that department in subsequent years to ensure the issue is corrected?
	Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives. [Principle 7]	• Are systems in place to track and properly maintain equipment/property inventory records across the organization?
CONTROL ACTIVITIES	Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts. [Principle 10]	• Is inventory taken a minimum of every two years for all equipment/property across the organization?
	Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]	• Is there an approval process in place for the purchasing and disposal of equipment?
INFORMATION AND COMMUNICATION	Employees' duties and control responsibilities are effectively communicated. [Principle 14]	• Can PIs, lab staff and administrators easily access the organization's policies and procedures on equipment/property management and maintenance?
	Channels of communication for people to report suspected improprieties have been established. [Principle 14]	• Does your institution have means for anyone to report lost or stolen equipment — such as laptops or cellphones — in a timely fashion?
MONITORING	Internal audit routinely tests for compliance with Federal requirements. [Principle 17]	• Does your institution maintain an internal audit schedule to ensure equipment purchase, damage or disposal is reported on a timely basis? • Has management identified certain departments with high-risk practices?
	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Are equipment/property purchases, damage or disposals reviewed and communicated throughout the organization on a regular basis?

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G. MATCHING, LEVEL OF EFFORT AND EARMARKING[1]

CONTROL ENVIRONMENT	Management's commitment to competence ensures that staff receive adequate training to perform their duties. [Principle 4]	• Does your institution provide a training/outreach program for the research community related to payroll or effort certification policies and processes? Is it mandatory?
	Management initiates positive responsiveness to prior compliance and control findings. [Principle 4]	• If you have had audit findings related to effort reporting or cost sharing in the past, has your institution and leadership responded to identified compliance weaknesses?
RISK ASSESSMENT	The organizational structure provides identification of risks of noncompliance. [Principle 7]	• Does your institution have processes in place to identify awards with cost-share commitments? Does your institution monitor progress against those financial commitments and follow up as needed? • Does your institution monitor the funding source of cost share on federal awards, specifically to ensure the source is non-federal funds?
	Processes are established to implement significant changes in program objectives and procedures. [Principle 9]	• Does your institution's Disclosure Statement (DS-2), which is required by the Uniform Guidance, Subpart E – Costing Principles, accurately describe the current process for tracking cost share and completing payroll verification? Has it been updated with any changes to policy that may have resulted from the Uniform Guidance (or prior)?
CONTROL ACTIVITIES	Operating policies and procedures exist and are clearly written and communicated. [Principle 11]	• Does your institution have established policies and procedures that define standards for charging and validating compensation to federal awards; e.g., definition of institutional base salary, basis for validating salary, rules for who can certify, frequency of review of estimates, level of detail on certification/validation reports, rules for recertification and standards for level of precision? • Does your institution have established policies and procedures for tracking, monitoring and reporting cost share, including In-kind or matching cost share?

	Computer and program controls include exception reporting and reviews of input and output data. [Principle 11]	• Does your system flag specific scenarios for additional review or payroll and effort, such as:
		  – Individuals who certify 100% to sponsored research funds
		  – Individuals who are over the institution's commitment thresholds
		  – Individuals who are over the salary cap
		  – Individuals who certified salary/effort on advance/exception accounts
		
		• Does your system allow for tracking and comparison of commitments, cost sharing and verified effort and/or compensation?
		
		• Does the system provide controls so that only individuals with the ability to change or verify salary charges to federal awards have access?

	Personnel possess adequate knowledge and experience to discharge their responsibilities. [Principle 10]	• Does your institution require PI approval of salary allocation and reallocation of salary?
	Management prohibits intervention or overriding established controls. [Principle 11]	• Does your institution have processes to prevent changes to compensation after validation through review/certification? If changes to certified compensation are allowed, does the system flag the adjustments for recertification?

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G. MATCHING, LEVEL OF EFFORT AND EARMARKING [1]

<table>
<tr>
<td rowspan="3">INFORMATION AND COMMUNICATION</td>
<td>Reconciliations and reviews ensure accuracy of reports. [Principle 13]</td>
<td>• Do you have defined processes for reviewing and reconciling payroll on an ongoing basis; e.g., at a departmental level? Is there formal notification of this review? Validation of completion?

• Do you have established processes to make adjustments based on changes recorded on certifications (or alternative processes for review of estimates)?</td>
</tr>
<tr>
<td>Accurate information is accessible to those who need it. [Principle 13]</td>
<td>• Does your certification or validation system present a complete picture of payroll, cost share and commitment data for the period in order to summarize the work performed?

• Are those who are required to review and validate cost share provided with reports and information necessary to understand commitments and documented cost share?</td>
</tr>
<tr>
<td>Employees' duties and control responsibilities are effectively communicated. [Principle 14]</td>
<td>• Are standard operating procedures, user guidance and website content available as resources to reinforce understanding of your processes?</td>
</tr>
<tr>
<td rowspan="2">MONITORING</td>
<td>Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]</td>
<td>• Does your effort/compensation control system produce metrics to objectively measure compliance; e.g., completion percentage, certification timeliness, number of recertifications, late certifications, number of cost transfers, etc.?

• Is a review of cost-share against cost share commitments included as a step in any financial review and reconciliation processes, either in central or departmental business offices?</td>
</tr>
<tr>
<td>Internal audit routinely tests for compliance with Federal requirements. [Principle 17]</td>
<td>• Are compensation and cost-share controls audited internally? Is the frequency of the internal audit enough to proactively identify concerns or risks?</td>
</tr>
</table>

[1] Please note that this document, in general, follows the Compliance Requirements outlined in Part 3 of the Compliance Supplement. Within Part 3, Section G. MATCHING, LEVEL OF EFFORT AND EARMARKING is more focused on cost sharing, as opposed to "effort" in the more common payroll verification and/or certification sense. However, due to the ongoing discussion and attention on payroll verification in the current climate, Huron has chosen to include some elements of internal controls related to the traditional interpretation of "effort" within this section. For more detailed information and perspective on payroll verification and effort, please reference our Uniform Guidance website at https://www.huronconsultinggroup.com/resources/higher-education/omb-uniform-guidance.

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H. PERIOD OF PERFORMANCE

CONTROL ENVIRONMENT	Key managers have adequate knowledge and experience to discharge their responsibilities. [Principle 4]	• Are staff able to identify whether automatic carryforward is authorized on a project and, therefore, able to identify when balances are or are not available for spending?
	Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]	• Do investigators generally demonstrate an appreciation that costs must benefit the project being charged? For instance, do they understand the risks of spending down awards or charging costs to grants only because funds are available or because funds may be lost if they are not spent prior to the end of the period of performance?
RISK ASSESSMENT	Program managers and staff understand and have identified key compliance objectives and risk tolerances. [Principle 6]	• Does your institution appropriately encourage the use of pre-award accounts to avoid cost transfers due to late award set-ups? If not, why not?
	Management has identified and assessed complex operations, programs, or projects. [Principle 7]	• Does your institution take extra steps to review and verify the allowability of costs posting to an award near or after the end date?
CONTROL ACTIVITIES	Computer and program controls include data entry controls, e.g., edit checks. [Principle 11]	• For awards without automatic carryforward, are funds for each award year of each project appropriately segregated, and are carryforward amounts separately tracked?
	Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]	• Does your central post-award office conduct a closeout process to review that accounts are not charged after the period of performance has expired?
INFORMATION AND COMMUNICATION	Reports are provided timely to managers for review and appropriate action. [Principle 13]	• Does your system track the date an obligation was incurred or the date the obligation was liquidated, allowing reviewers and account managers to assess the allowability of the charge?
	Employees' duties and control responsibilities are effectively communicated. [Principle 14]	• Are PIs notified of unobligated balances at the end of each period of performance so that they may determine the appropriate course of action (no-cost extension or return of funds)?
MONITORING	Management follows up on irregularities and deficiencies to determine the cause. [Principle 17]	• Does management review reports of accounts whose periods of performance have expired, that have not been closed and that may still be incurring charges? • Are accounts with unobligated balances reviewed at consistent time points? At the end of each award period? Only during FFR preparation?

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I. PROCUREMENT AND SUSPENSION AND DEBARMENT

CONTROL ENVIRONMENT	There is a sense of conducting operations ethically, as evidenced by a code of conduct or other verbal or written directive. [Principle 1]	• Does your institution maintain written standards of conduct for employees involved in contracting, including processes to address conflict of interest in procurement?
	Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]	• Does your institution have processes in place to ensure all procurement transactions document the rationale for choosing a specific procurement method, selection of the contract type, contractor selection or rejection, and the basis for contract price?
RISK ASSESSMENT	The organizational structure provides identification of risks of noncompliance. [Principle 7]	• Does your institution have procurement roles and responsibilities that adequately segregate procurement, identification of requirements, vendor selection and vendor payment functions?
	Processes are established to implement significant changes in program objectives and procedures. [Principle 9]	• Is your institution monitoring potential changes in procurement regulations under the Uniform Guidance (i.e., micro-purchase threshold)? • Does your institution have a plan for how it will update procurement procedures to meet federal regulations, standards and laws?
	Management considers the potential for fraud when identifying, analyzing, and responding to risk. [Principle 8]	• Does your institution have a process to verify matches on debarment lists? For example, if the name of an individual appears on the debarment list, do you verify the identity of the individual using the individual's Social Security Number? For confirmed matches, do you eliminate those entities from participation?
CONTROL ACTIVITIES	Personnel possess adequate knowledge and experience to discharge their responsibilities. [Principle 10]	• Are resources and training made available to procurement staff to identify acceptable bidding and selection criteria, including specifying technical requirements for the material, product or service to be purchased?
	Operating policies and procedures exist and are clearly written and communicated. [Principle 11]	• Do policies and procedures require staff to validate that all documented procurement criteria have been met prior to executing a purchase order?
INFORMATION AND COMMUNICATION	Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required in the statutes, regulations, and the terms and conditions applicable to the program. [Principle 13]	• Does your procurement office have processes to ensure that ALL relevant procurement documentation, including bids, contracts, amendments, etc., are retained for the period required by the federal regulations (at least three years from the acceptance of the final financial report)?
	There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]	• Do subcontracts include a notification requirement if the subcontractor's debarment status changes?
MONITORING	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Does the signatory authority review the purchase order or subcontract to verify that debarment status was checked prior to execution?
	Internal quality control reviews are performed.	• Does management routinely review selected purchases or subcontracts to verify that processes were followed, including verifying the debarment status of the entity or individual?

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J. PROGRAM INCOME

CONTROL ENVIRONMENT	Management makes evident its support of adequate information and reporting systems. [Principle 1]	• Does your institution utilize a flag to indicate the project will earn program income when identified at the time of proposal submission?
	Key managers' responsibilities are clearly defined. [Principle 3]	• Does your institution have adequate resources dedicated to the monitoring of program income, including personnel, systems and processes?
RISK ASSESSMENT	Management is aware of results of monitoring, audits, and reviews, and considers related risk of noncompliance. [Principle 7]	• Are processes in place to identify variances between expected and actual program income, and appropriate follow-up used to verify all program income was captured correctly?
	Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives. [Principle 7]	• Are mechanisms in place to identify awards at risk of earning program income that may go unrecorded or miscoded? Have processes been put in place to follow up to verify program income was or was not earned?
CONTROL ACTIVITIES	Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts. [Principle 10]	• Are there mechanisms in place to ensure that program income is properly recorded as earned and deposited? Does your institution utilize proper cash management best practices to handle earned program income payments?
INFORMATION AND COMMUNICATION	The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both. [Principle 13]	• Do existing accounting systems identify program income and allow for it to be spent in line with federal regulations (prior to drawing additional federal funds)?
MONITORING	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Is program income review and reconciliation against expenses and federal cash part of your regular post-award monitoring activities?
	Periodic site visits are performed at decentralized locations (including subrecipients' locations) and checks are performed to determine whether procedures are being followed as intended. [Principle 16]	• When program income is earned outside of your institution and not processed via your central accounting practices, does an oversight unit conduct visits to understand and monitor the collection and accounting of program income funds?

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L. REPORTING

CONTROL ENVIRONMENT	Management initiates positive responsiveness to prior compliance and control findings. [Principle 4]	• Has your institution been subject to past Single Audit findings about late or untimely financial reports? If so, has your institution responded with enhanced monitoring, proactive communication and policies supporting a "drop dead" reporting deadline?
	Management makes evident its support of adequate information and reporting systems. [Principle 1]	• Does your institution prepare all financial reports based on data within the General Ledger? Are adequate reports and data available to do so? • Does your institution have established document retention requirements for research records and research administration records?
RISK ASSESSMENT	The organizational structure provides identification of risks of noncompliance. [Principle 7]	• Is responsibility for preparing and submitting financial reports at your institution localized within a central post-award unit? Are processes in place to ensure coordination with department administration and quality assurance reviews prior to submission? • Do you have documented roles and responsibilities for evaluating programmatic progress on federal awards, ranging from PI oversight to unit and central review?
	Employees who require close supervision (e.g., they are inexperienced) are identified. [Principle 7]	• Does your institution dedicate additional central attention and review when preparing the financial reports for departments with less experienced administrators?
CONTROL ACTIVITIES	Computer and program controls include Access controls. [Principle 11]	• Is access to eRA Commons, ACMS or other federal reporting portals limited to those with institutional authority?
	Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards. [Principle 11]	• Does your institution have processes in place to educate the broader community on changes to federal financial reporting and the impact on their responsibilities? • Has the community been updated on the impact of NIH Subaccounting and the 90-day closeout periods and updated practices accordingly?
	Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]	• Are staff responsible for financial reporting removed from the direct charging process?
INFORMATION AND COMMUNICATION	There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]	• Do PIs understand their responsibility to monitor subrecipient status reports and to collect and review invoices? • Do contract terms require regular programmatic reports and updates from subrecipient investigators?
	Reports are provided timely to managers for review and appropriate action. [Principle 13]	• Does management receive reports on the status of due — and outstanding — financial reports to monitor the status and ensure timely reporting?
MONITORING	Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]	• Does your institution have a well-defined financial reporting process that incorporates post-audit sampling or quality assurance review for reports? • Do deans or department chairs conduct regular programmatic monitoring to ensure that federal funds are being used to meet the objectives of the funded scope of work?
	Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls. [Principle 16]	• Does your leadership or Internal Audit review the financial reporting business processes and identify any weakness to be addressed? Has the process been reviewed or updated in recent years?

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M. SUBRECIPIENT MONITORING

CONTROL ENVIRONMENT	Management initiates positive responsiveness to prior compliance and control findings. [Principle 4]	• Has subrecipient monitoring been a previous finding on your Single Audit? If so, has the subrecipient monitoring process been appropriately re-examined with enhanced internal controls to mitigate the issues identified during previous audits? • If your institution has implemented revised processes resulting from audit findings or internal monitoring, has your institution conducted an internal assessment to ensure revised processes resulted in an adequate level of internal controls?
RISK ASSESSMENT	Management considers the potential for fraud (or waste or abuse) when identifying, analyzing, and responding to risk. [Principle 3]	• Are the outcomes of the risk assessment used to directly inform how the agreement is structured? For example, if the risk assessment reveals that the subrecipient has struggled to send timely invoices, are the terms and conditions of the subcontract re-examined to enforce timely submission?
CONTROL ACTIVITIES	Personnel possess adequate knowledge and experience to discharge their responsibilities. [Principle 10]	• Are staff that conduct risk assessments well-versed in federal compliance requirements and capable of assessing a subrecipient's ability to comply with those requirements? • If a subrecipient is not subject to a Single Audit, how does your institution verify that the subrecipient appropriately segregates project funds?
	Operating policies and procedures exist and are clearly written and communicated. [Principle 11]	• Do PIs understand their role in subrecipient monitoring? Are PIs reviewing invoices to determine whether charges are appropriate for the work the subrecipient is supposed to be conducting? Are PIs analyzing subrecipient spend versus activity to make sure that work is being performed at the same rate the subrecipient is getting paid?
INFORMATION AND COMMUNICATION	There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]	• Is current contact information for the institution (not just an individual) a required component of subcontracts? Are staff reviewing subcontracts (i.e., Attachment 3B — Subrecipient Contacts) to ensure that appropriate contact information is obtained prior to executing a contract?
	Adequate source documentation exists to support amounts and items reported. [Principle 13]	• How is source documentation for subrecipients obtained and stored? For subrecipients in countries or regions with no cultural expectation of issuing receipts, how are you meeting the source documentation standards?
MONITORING	Periodic site visits are performed at decentralized locations (including subrecipients' locations) and checks are performed to determine whether procedures are being followed as intended. [Principle 16]	• Do you perform site visits of subrecipients? If so, what criteria determine the need and frequency of these visits?
	Management follows up on irregularities and deficiencies to determine the cause. [Principle 17]	• How often do you review your subrecipient monitoring plan? Are you adjusting your monitoring plan if you are having difficulty enforcing subrecipient compliance with contract terms? For example, if subrecipients are not providing timely progress reports, have you modified your risk assessment to better address this risk?

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N. SPECIAL TESTS AND PROVISIONS

CONTROL ENVIRONMENT	There is a governing Board or equivalent that is responsible for engaging the auditor, receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed, and they fulfill those responsibilities. [Principle 2]	• Does your institution (under the guidance of appropriate leadership) ensure follow-up and response to all prior audit findings? Have all prior audit findings been addressed? If not, have responses been initiated, and are enhancements in progress?
	Staff are knowledgeable about compliance requirements and are given responsibility to communicate all instances of noncompliance to management. [Principle 4]	• Do all investigators, staff and other stakeholders understand when special provisions apply to an award and their role in compliance? • Does central pre- or post-award have a role in communicating to investigators and study teams additional management requirements for special provisions?
RISK ASSESSMENT	Processes are established to implement significant changes in program objectives and procedures. [Principle 9]	• Are there processes in place to identify the institutional response plan to audit findings? Do these processes establish that the right stakeholders are involved to ensure responses are realistic and adequately address the findings?
CONTROL ACTIVITIES	Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards. [Principle 11]	• Are there procedures in place to track when special provisions or unique terms and conditions apply to awards? Are these unique requirements adequately communicated as "unique" so that necessary action takes place?
INFORMATION AND COMMUNICATION	Actions are taken as a result of communications received. [Principle 13]	• When your institution has had prior audit findings and made operational changes in response to these findings, have you been able to determine if they have been effective in changing institutional behavior?
MONITORING	Management follows up on irregularities and deficiencies to determine the cause. [Principle 17]	• For previous audit findings, has your institution assessed the root causes and determined the right actions and response plan to address the issue effectively?
	If there is a governing Board, the Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action. [Principle 17]	• Does your institutional leadership review audit finding response plans and follow up on status to make sure the proposed actions are being implemented and are effective?

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