October 2014 COGR Meeting Presentation Thursday Morning - Mary Lee Brown and Cindy Hope

Author: Mary Lee Brown and Cindy Hope

Published Date: 10/23/2014
Uniform Guidance –
The what, the how, and where
internal controls
fit in

COGR
Discussion Session
Thursday Oct 23, 2014
Discussion Leaders

Mary Lee Brown
Associate Vice President Audit, Compliance and Privacy
University of Pennsylvania

Cindy Hope
Assistant Vice President for Research
University of Alabama
Objectives

- Discuss, broadly, the impact of the new requirements on internal controls
- Provide examples of internal control considerations for select areas of change due to Uniform Guidance (UG)
Impact on internal controls
We got what we wanted…
UG – Definitions
Internal controls
UG – Definitions
Internal controls over compliance requirements for Federal Awards
UG – Subpart D-Post Award Internal controls
COSO Internal Control-Integrated Framework, internal control is broadly defined as a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

- **Control Environment** -- sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.
- **Risk Assessment** -- the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed.
- **Information and Communication** -- systems or processes that support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- **Control Activities** -- the policies and procedures that help ensure management directives are carried out.
- **Monitoring** -- processes used to assess the quality of internal control performance over time.

The COSO definition relates to the aggregate control system of the organization, which is composed of many individual control procedures.
Resources

**COSO Executive Summary**
http://www.coso.org/documents/990025P_Executive_Summary_final_may20_e.pdf

**GAO Green Book Overview**
http://www.gao.gov/greenbook/overview
Areas of significant change

- Internal controls (just talked about!)
- Procurement
- Subrecipient monitoring
- Performance reporting
- Effort reporting
Procurement
Performance reporting
Subrecipient monitoring
Effort reporting
<table>
<thead>
<tr>
<th>Why does this matter?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
</tr>
<tr>
<td><strong>Institutional change</strong></td>
</tr>
<tr>
<td><strong>Policies and procedures</strong></td>
</tr>
<tr>
<td><strong>Gaps and exposure</strong></td>
</tr>
<tr>
<td><strong>Management and board approval</strong></td>
</tr>
<tr>
<td><strong>Communication and training</strong></td>
</tr>
<tr>
<td><strong>Audit criteria</strong></td>
</tr>
<tr>
<td><strong>Internal controls</strong></td>
</tr>
<tr>
<td><strong>Documentation</strong></td>
</tr>
</tbody>
</table>
Internal audit’s role

- This year
  Supportive and consultative

- Next year
  Reviewing and Assessing
Questions and comments?