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Fiscal Accountability & Risk Mitigation

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Learning Objectives

- Define Fiscal Accountability and Stewardship
- Stewardship Expectations



Fiscal Stewardship

- **Stewardship** is an ethic that embodies responsible planning and management of resources.*

*Wikipedia



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What is Fiscal Accountability & Stewardship?

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Fiscal Accountability



1. Doing what is right....
2. Doing what we promised
3. Protecting and properly overseeing items placed in our care.....
4. Creating infrastructure to support responsible actions

Fiscal Stewardship is about Internal Controls

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UG & 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.

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2 CFR 200.61

Internal controls for Federal Awards

A process to provide reasonable assurance regarding the achievement of the following objectives for Federal awards

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements and Federal reports;
 - (2) Maintain accountability over assets; and
 - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:
 - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

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2 CFR 200.62

Internal Control Expectations

- (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. 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 and the “**Internal Control Integrated Framework**”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statute, 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.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

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2 CFR 200.303

Standards for Internal Control in the Federal Government

- The fundamental concept of the GAO's approach to internal controls is a framework that is:
 - A continuous built-in component of operations
 - Effected by people
 - Provides reasonable assurance, not absolute assurance
- The Greenbook's framework contains Five Standards for Internal Control:
 - Control Environment
 - Risk Assessment
 - Control Activities
 - Information and Communications
 - Monitoring

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GAO's Standards for Internal Control in the Federal Government

- Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
- Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
- Help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.
- Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
- Should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

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COSO's Internal Control Integrated Framework

COSO's Integrated Framework focuses on:

1. Establishing a common definition serving the needs of different parties.
2. Providing a standard against which business and other entities--large or small, in the public or private sector, for profit or not--can assess their control systems and determine how to improve them.

Internal controls are processes designed by the organization's board of directors, management and other personnel to provide reasonable assurance in the achievement of the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

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Uniform Guidance

- The term "internal control" is used 46 times in the guidance.
- The term "written" is used 66 times.



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COS and Green Book Access

- Green Book
 - <http://www.gao.gov/greenbook/overview>
- COSO Integrated Framework
 - <http://www.coso.org/ic.htm>
- COSO Executive Summary
 - http://www.coso.org/documents/990025P_Executive_Summary_final_may20_e.pdf

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Federal Sentencing Guidelines

Compliance and Ethics - An Institutional Responsibility

- *Standards and Procedures to Prevent and Detect Criminal Conduct*
- *Overall Responsibility to Oversee Compliance*
- *Due Care in Delegation of Authority*
- *Communication, Training and Education*
- *Monitoring, Auditing and Reporting Systems*
- *Enforcement and Discipline*
- *Appropriate, Consistent Response*

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Chapter 8

Federal Sentencing Guidelines (Chapter 8)

Organization must have compliance and ethics programs that:

- “Establish standards and procedures to prevent and detect criminal conduct ”
- “Promote an organizational culture that encourages ethical conduct and a commitment to compliance”

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Overall Compliance Program Internal Controls

- Education/training
- Roles & responsibilities
- Lines of communication
- Compliance leadership
- Policies and procedures
- Monitoring
- Corrective response
- Enforcement

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False Claims Act And Liability

Any person who—

- Knowingly presents, or causes to be presented, to.... the United States a false or fraudulent claim for payment or approval;
- Knowingly makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the Government;
- Conspires to defraud the Government by getting a false or fraudulent claim allowed or paid;
- Has possession, custody, or control of property or money used, or to be used, by the Government and, intending to defraud the Government or willfully to conceal the property, delivers, or causes to be delivered, less property than the amount for which the person receives a certificate or receipt;
- Authorized to make or deliver a document certifying receipt of property used, or to be used, by the Government and, intending to defraud the Government, makes or delivers the receipt without completely knowing that the information on the receipt is true;
- Knowingly buys, or receives as a pledge of an obligation or debt, public property from an officer or employee of the Government... who lawfully may not sell or pledge the property; or
- Knowingly makes, uses, or causes to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the Government, is liable to the United States Government for a civil penalty of not less than \$5,000 and not more than \$10,000, plus 3 times the amount of damages which the Government sustains because of the act of that person.

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31 USC § 3729

False Claims – Knowing and

“Knowing” and “Knowingly” mean that a person, with respect to information—

1. Has actual knowledge of the information;
2. Acts in deliberate ignorance of the truth or falsity of the information; or
3. Acts in reckless disregard of the truth or falsity of the information, and no proof of specific intent to defraud is required.

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31 USC § 3729

Institutional Expectation for Stewardship

- A top down EXPECTATION
- A top down UNDERSTANDING
- Does your institution have an expectation for stewardship?
- If you do not, you need individuals who can convey the stewardship concerns to the top

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Roles in Accountability & Stewardship

- **Sponsors**
- **Institution**
 - Vice Presidents (Fiscal, Operations, and Research)
 - Pre/Postaward Leadership
 - Procurement and Property Management
 - Compliance
- **Deans**
- **Departments**
 - Business Managers
 - Principle Investigators
 - Faculty
 - Individuals devoting/contributing effort to sponsored projects

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- ### Sponsor Expectations
- Use the funds to accomplish activities identified in the proposal/award
 - **Establish** and **maintain** an environment of compliance
 - Have policies, processes, and systems in place to ensure this happens
 - Ensure they are only billed for their fair share of the costs
-
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What are some your stewardship challenges or concerns?



Risk from a sponsor perspective

Policies, Process, Training, Application

- Proposal budget
- Award budget
- Authorized signators
- Unlike Circumstances
- Cost Share
- Significant Rebudgeting
- Prior Approvals
- Cost Transfers
- Effort
- Subaward Monitoring
- Timeliness
- Cost Disallowance Process
- Invoicing & Closeout
- Service Center Rates
- Equipment management
- Terminal Leave
- Systems integrity
- Financial System
- Purchasing Processes

Faculty Expectations

- Processes need to be logical, clear, and easily doable.
- Need to know how to do what is expected of them by the sponsor and institution.
- Need to keep staff employed.
- Need to know how much money they have in their accounts.
- Need to be able to procure the resources to do the work proposed.
- Secure continued funding for research.

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Institutional Needs

- To maximize resources available to support institutional objectives
- To ensure that resource usage is consistent with institutional objectives
- Aware of full cost of taking on activities
- Minimize risk for negative publicity, cost disallowance, and fines/penalties



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Building Accountability & Stewardship

- Is not a one time activity.....

It is an ongoing responsibility and expectation.

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Questions

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