Presenters

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Agenda

- Introductions
- RMAS Audits and Internal Controls
- Three Lines of Defense
- ROPPA
- Justifications and Supporting Documentation
- Business Purpose (64 Character Limits)
  - Utilizing OBI
- Targeted Monitoring
- Q&A
Office for Sponsored Programs Org Chart
OSP Org Chart Summary

Vice President for Finance & Chief Financial Officer

Assistant Vice President, OSP

Administration & Business Operations

Research Finance  Reporting  Cost Analysis  Pre-award Services
Risk Management & Audit Services
Organizational Overview

Joint Committee on Inspection
Executive Vice President
Vice President for Finance & Chief Financial Officer
Director, Risk Management & Audit Services
Risk Strategy & Insurance
Audit Services (Information Systems, Financial, Operational, and Compliance)
Risk & Compliance Services
University Risk Management Council
Internal Audit Process

Phases

1. PLANNING
2. FIELDWORK
3. COMMUNICATION OF RESULTS
4. FOLLOW-UP
Internal Controls
Objectives

- Achievement of operational goals and objectives
- Effective and efficient use of resources
- Safeguarding of assets
- Compliance with significant policies, procedures, laws and regulations
- Reliability and integrity of information
Uniform Guidance requirement - 2 CFR 200.303:

- “The non-Federal entity **must**:
  - (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.”

COSO definition:

- “Internal control is 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.”

*Internal Control - Integrated Framework (2013)*
Internal Control Examples

Typical mechanisms include:

- Clearly defined and communicated policies and procedures
- Segregation of duties
- Review of budget to actuals
- Reconciliations
- Defined authority levels
- General monitoring
Common Finding Themes

- Policies and procedures
- Training
- Evidence of review and approval
- Timeliness
- Monitoring
- Documentation
Three Lines of Defense

Model for Risk Management
Three Lines of Defense

1. Operational Management
2. Risk Management & Compliance Functions
3. Internal Audit
Three Lines of Defense

- Single line of defense not enough
- 3 lines of defense must be:
  - Cohesive
  - Coordinated
  - Clearly delegated
- Results of uncoordinated monitoring activities:
  - Risks are not identified or managed
  - Duplication of coverage
Three Lines of Defense

Roles

Groups involved in effective risk management:

- Functions that Own & Manage Risks
- Functions that Oversee Risks
- Functions that Provide Independent Assurance
First Line of Defense
Operational Management

Responsible for:

- Owning and managing risk
- Implementing corrective actions
- Maintaining effective internal controls for day-to-day operations
Second Line of Defense
Risk Management & Compliance Functions

Responsible for:

- Monitoring the adequacy and effectiveness of internal controls, accuracy and completeness of reporting, compliance with laws & regulations, and timely remediation of deficiencies
- Providing risk management frameworks
- Assisting management in developing processes and controls to manage risks and issues
- Identifying known and emerging issues
- Providing guidance and training
Third Line of Defense
Internal Audit

Responsible for:
- Advising senior management & governing boards
- Providing assurance of effectiveness of governance, risk management and internal controls
- Operating with a high level of independence
ROPPA
Responsibilities of Purchasers, Preparers and Approvers
ROPPA
Policy Highlights

- Purpose: reinforce existing good approval practices at the University, and to serve as a tool for new staff or those who want a refresher

- Individuals who spend funds or who prepare or authorize expenditures on behalf of the University have a stewardship responsibility to ensure those transactions are reasonable, appropriate, and have a proper University business purpose
  - Emphasis on the shared stewardship responsibilities of purchasers and preparers
  - Intended to clarify existing responsibilities via examples of specific actions that demonstrate good stewardship

- Applies to users of all financial systems/mechanisms where money leaves the University (HCOM, PCard, Corporate Card, reimbursements, etc.)
Regardless of your role or which system/mechanism you are using, there are a few key concepts you must know:

- Business expenses vs. personal expenses
- Complete business purpose and required documentation
- Deadlines for each system/process
- Responsibilities by role - Purchaser, Preparer, Approver
Complete business purpose and supporting documentation

Your business purpose statement should give the reviewer a clear understanding of the reason for the expense. The best way to do this is to answer the 5 Ws.

- Who?
- What?
- Where?
- When?
- Why?

General guidelines on receipts and invoices:

- Hotel folios are required, regardless of amount
- Business meals that include alcohol should have an itemized receipt, regardless of amount
- Any purchase $75 or over needs a receipt or invoice
- Obtain an official receipt whenever possible
- Refer to your School’s local policies as well as sponsored guidelines (if applicable)
Justifications and Supporting Documentation
Per the PI, these lab supplies are allowable allocable and reasonable on this award.

Walkthrough:

- Who?
- What?
- When?
- Where?
- Why?

This would not be a strong justification.
Justification Examples Activity


A: Per a conversation with the PI on 2/20/2019, this equipment should be allocated to their NSF award as it supports the scientific aim of analyzing data regarding distance between planets. This equipment was budgeted for in the proposal.

B: During a recent communication with Prof. Lab, she realized lab supplies charged in the amount of $673.40, on July 16th, 2018, was charged to discretionary funds incorrectly. These lab supplies are budgeted on her R01, with a budget period of 7/1/18- 6/30/19, and used by graduate students, in her lab, funded by this project.
Justification Walkthrough A

A: Per a conversation with the PI on 2/20/2019, this equipment should be allocated to their NSF award as it supports the scientific aim of analyzing data regarding distance between planets. This equipment was budgeted for in the proposal.

- Who?
- What?
- When?
- Where?
- Why?
Justification Walkthrough B

B: During a recent communication with Prof. Lab, she realized lab supplies charged in the amount of $673.40, on July 16th, 2018, was charged to discretionary funds incorrectly. These lab supplies are budgeted on her R01, with a budget period of 7/1/18- 6/30/19, and used by graduate students, in her lab, funded by this project.

- Who?
- The What?
- When?
- Where?
- Why?
Justifications

✓ Allowable- yes, budgeted on award,
✓ Allocable- yes, for B, unsure for A.
✓ Reasonable- amount charged doesn’t seem excessive for B, but unsure for A.
✓ Consistent- yes

We don’t want to say it was allowable, allocable and reasonable, we want to provide details in the justification to describe how it was allowable, allocable and reasonable!
Supporting documentation
Where’s the evidence?

- You’ve provided a strong justification, so now you need to support it
- Provide support that helps you make your case
- Omit documents that do not add value
- If a document is referenced in the justification, then it should be included in the support.
Supporting documentation

Sufficient support may include:

- Budget justification
- Email from the PI explaining how item, person or travel supports scientific aims of the project.
- Approval from the sponsor
- Breakdown of cost allocations and explanation of the methodology
- Notification of Award
- Action Memo

*If you prepare Cost Transfer requests, or journals or PDF packages of evidence to support direct cost selections as part of an audit, this supporting documentation is necessary!*
Comparing support
Which is best?

Justification for transfer: During a recent communication with Prof. Lab, she realized lab supplies charged in the amount of $673.40, on July 16\textsuperscript{th}, 2018, was charged to discretionary funds incorrectly. These lab supplies are budgeted on her R01, with a budget period of 7/1/18- 6/30/19, and used by graduate students, in her lab, funded by this project.

**Option A**
- Transaction listing with original charge ($673.40) filtered by PO number
- Justification for transferring charges
- Notification of Award
- Budget Justification

**Option B**
- Transaction listing for lab supplies charged to that account for July 2018.
- Justification for transferring charges.
- Action Memo
- Budget Justification with equipment quotes attached.
Business Purpose
OBI - Transaction Listing
Travel Details

- CoA Coding
- Effective Date
- Line Item Business Purpose
- Concur Expense Report ID

Expense Type (Object Code)
Expense Amount
HUID and HUID Name

What’s missing?
• Vendor Description
• Traveler type - student, faculty, etc.
• Expense City
• Expense Transaction Date
OBI - Transaction Listing

Business Purpose

Example:

<table>
<thead>
<tr>
<th>Date</th>
<th>Expense Type</th>
<th>Reviewed</th>
<th>Amount</th>
<th>Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/12/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$216.50</td>
<td>$216.50</td>
</tr>
<tr>
<td>08/13/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$216.50</td>
<td>$216.50</td>
</tr>
<tr>
<td>08/14/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$216.50</td>
<td>$216.50</td>
</tr>
<tr>
<td>08/15/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$216.50</td>
<td>$216.50</td>
</tr>
<tr>
<td>09/27/2016</td>
<td>Lodging</td>
<td>V</td>
<td>$307.00</td>
<td>$307.00</td>
</tr>
<tr>
<td>08/16/2016</td>
<td>Lodging</td>
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<td>$224.25</td>
<td>$224.25</td>
</tr>
<tr>
<td>08/17/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$224.25</td>
<td>$224.25</td>
</tr>
<tr>
<td>08/18/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$224.25</td>
<td>$224.25</td>
</tr>
<tr>
<td>08/19/2016</td>
<td>Lodging</td>
<td>N</td>
<td>$224.25</td>
<td>$224.25</td>
</tr>
<tr>
<td>08/24/2016</td>
<td>Photocopying</td>
<td>N</td>
<td>$141.00</td>
<td>$141.00</td>
</tr>
</tbody>
</table>

**Total Amount:** $2,007.15  **Total Approved:** $2,007.15
## OBI - Transaction Listing

### Adding T&E Report

- **Transaction Listing**
  - Right Click to include – Concur Reporting ID which hyperlinks to...
- **Travel and Entertainment Expense Report**
  - Expense Report - Shows all charges associated with expense report
  - Travel and Expense Transaction Line – shows specifics to that line charge only

### Table: Travel and Expense Detail Concur Drill Thru

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Expense Report ID</th>
<th>Expense Report Name</th>
<th>Employee ID</th>
<th>Employee Name</th>
<th>Vendor Name</th>
<th>Vendor Description</th>
<th>Expense Payment Mode</th>
<th>Tub</th>
<th>Org</th>
<th>Object</th>
<th>Fund</th>
<th>Activity</th>
<th>Subactivity</th>
<th>Root</th>
<th>Expense Type</th>
<th>Business Purpose</th>
<th>Expense Transaction Date</th>
<th>CoA Allocated ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/7/2019</td>
<td>7889A159C4A4O4EB57C</td>
<td>DESI workshop ColumbusOH 12/19</td>
<td></td>
<td></td>
<td>Southwest Airlines</td>
<td>SOUTHWES 5262139503508</td>
<td>Citibank - Mastercard</td>
<td>370</td>
<td>31460</td>
<td>7651</td>
<td>131424</td>
<td>336988</td>
<td>0003</td>
<td>44511</td>
<td>Airfare</td>
<td>DESI SrvValidationEarlySptrscpyWrkshp12/09 / 12/19ColumbusOH</td>
<td>11/8/2019</td>
<td>118.98</td>
</tr>
<tr>
<td>12/7/2019</td>
<td>7889A159C4A4O4EB57C</td>
<td>DESI workshop ColumbusOH 12/19</td>
<td></td>
<td></td>
<td>DESI SURVEY VALIDATION</td>
<td>Citibank - Mastercard</td>
<td>370</td>
<td>31460</td>
<td>8631</td>
<td>131424</td>
<td>336988</td>
<td>0003</td>
<td>44511</td>
<td>Conference Fees (8631)</td>
<td>DESI SrvValidationEarlySptrscpyWrkshp12/09 / 12/19ColumbusOH</td>
<td>11/7/2019</td>
<td>150.00</td>
<td></td>
</tr>
</tbody>
</table>
## OBI - T&E Report and Right-Click Add-ins

<table>
<thead>
<tr>
<th>Expense Report Name</th>
<th>Vendor Name</th>
<th>Traveler Type</th>
<th>Effective Date</th>
<th>Vendor Description</th>
<th>Expense Payment Mode</th>
<th>Tub</th>
<th>Org</th>
<th>Object</th>
<th>Fund</th>
<th>Activity</th>
<th>Subactivity</th>
<th>Root</th>
<th>Expense Type</th>
<th>Business Purpose</th>
<th>Expense Transaction Date</th>
<th>CoA Allocated ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESI workshop</td>
<td>Southwest Airlines</td>
<td>Faculty</td>
<td>12/7/2019</td>
<td>SOUTHWES5262139505308</td>
<td>Citibank - Mastercard</td>
<td>370</td>
<td>31460</td>
<td>7651</td>
<td>131424</td>
<td>336988</td>
<td>0003</td>
<td>44511</td>
<td>Airfare</td>
<td>DESI SrvValidationEarlySpctrScpyWrkshp12/09/12/12/19ColumbusOH</td>
<td>11/8/2019</td>
<td>118.98</td>
</tr>
<tr>
<td>DESI workshop</td>
<td>Faculty</td>
<td>12/7/2019</td>
<td>DESI SURVEY VALIDATION</td>
<td>Citibank - Mastercard</td>
<td>370</td>
<td>31460</td>
<td>8631</td>
<td>131424</td>
<td>336988</td>
<td>0003</td>
<td>44511</td>
<td>Conference Fees (8631)</td>
<td>DESI SrvValidationEarlySpctrScpyWrkshp12/09/12/12/19ColumbusOH</td>
<td>11/7/2019</td>
<td>150.00</td>
<td></td>
</tr>
</tbody>
</table>

- **Traveler Type**: Faculty
- **Business Purpose**: DESI SrvValidationEarlySpctrScpyWrkshp12/09/12/12/19ColumbusOH
OBI - Transaction Listing

Business Purpose

What’s Missing?

- The why?
- 64 Character Limitations
Quick Reference for Business Purpose

IRS regulations require a complete business purpose. The Concur business purpose field will only allow 64 characters

- Focus on the ‘why’ - Enter a brief explanation of why the expense is Harvard business
- Include travel dates
- Abbreviations welcome

Note: The following items are already included in the expense report in their own fields and do not need to be included in the business purpose: The employee’s name, type of expense (airfare, car rental, business meal, individual meal, etc.), date of each expense, type of payment (CitiBank or out of pocket) and business meal attendees

Business Purpose Examples:

- CUPA conference registration, May 1-3, 2016 for prof dev.
- Books for Old Testament research
- Dean’s office supplies
- Guest speaker & 3 students dinner to share scholarly knowledge
- Food and beverages for the HDS all staff meeting, 4/15/2016
- Tvl exp to AAR Annual Meeting (11/21-24, 2015) for prof dev
Example Business Purpose
Now with T&E Dashboard

- CURRENT:
  DESI SrvtValidationEarlySpctrscpyWrkshp12/09-12/12/19ColumbusOH

- CONCUR w/ T&E Dashboard:
  Prsnt data on DOE Dark Energy Project Columbus,OH
  12/09-12/12/19 (64 characters)
Targeted Monitoring
Targeted Monitoring
Uniform Guidance requires monitoring

Monitoring... (*2 CFR § 200.328*)

- “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.”

Internal controls (*2 CFR § 200.303*)

- The non-Federal entity must:
  - “Evaluate and monitor the non-Federal entity’s compliance with statute, regulations and the terms and conditions of Federal awards.”

*Full section content not included*
Targeted Monitoring

Why monitor?

- Integral component of internal control
  - Five internal control components need to work collectively to mitigate risks
  - Unmonitored controls typically deteriorate over time
- To help ensure operating, financial and compliance objectives are being met
- To streamline the assessment process
  - Targeted techniques
- To help identify and correct internal control issues/gaps in proactive manner
- To produce more accurate and reliable information for use in decision-making
Targeted Monitoring
COSO Internal Control Framework

Key Monitoring Elements

1. Establish a Foundation for Monitoring
2. Design and Execute Monitoring Procedures
3. Assess and Report Results
Targeted Monitoring

COSO Internal Control Framework Cont’d

▶ Monitoring Activities - Fundamental Principles
  ▶ Selecting, developing and performing internal control evaluations
    ▶ Enables management to assess internal control operating effectiveness
  ▶ Evaluating and communicating internal control deficiencies in a timely manner
    ▶ Enables management to take corrective actions
Targeted Monitoring
Example Tool: Data Analysis

Often used by internal auditors but can be used by the other lines of defense:
Targeted Monitoring
Data Analysis Examples

- Pivoted listing of travel and entertainment (T&E) expense transactions on federal awards by department:
  - Top Spenders
  - Expense Code Outliers
  - Year-to-Year Comparison
  - Expense as % of Federal Expenditures
  - Vendor Search
Contact Us

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