

13.5

Control of Sponsored Research/External Funds

The institution maintains financial control over externally funded or sponsored research and programs.

Judgment

Compliant Non-Compliant Not Applicable

Narrative

The University of South Carolina has detailed policies and procedures for institutional control over sponsored research and other externally funded projects. The university segregates the authority to enter into sponsored agreements from the authority to expend, collect, and report funding for those agreements. The Vice President for Research oversees all pre-award activities associated with applying for and receiving awards for sponsored programs, while the authority to approve expenses, collect revenue, and report financial activity is managed by the Senior Vice President for Administration and Chief Financial Officer.

The Director of the Office of Sponsored Awards Management (SAM) is responsible for the operations of pre-award administration; the university Controller is responsible for the operations of post-award administration. SAM promotes externally funded research, training, and demonstration projects and is a central source of information on major government agencies, foundations, and corporations that support research and scholarship. Staff provide assistance to faculty members, administrators, and students from conceptual development and planning through implementation and management of funded projects. Assistance is provided in identifying potential extramural funding sources; developing proposal narratives and budgets; completing standardized application forms; assuring compliance with all applicable federal and state regulations; negotiating grant awards and contracts; and administering funded projects. SAM provides administrative services for the Office of Research Compliance (ORC).

Grants and Funds Management in the Office of the Controller ensures compliance with applicable laws, regulations, university policies, and specific grant award and agreement conditions as they relate to expenditures and the management of cash. This department is responsible for all information needed during federal and other financial audits of sponsored projects and prepares the federal and other reports such as the SF 269 ensuring the timely submission thereof and the 272 ensuring the compliance with the Federal Cash Management Improvement act.

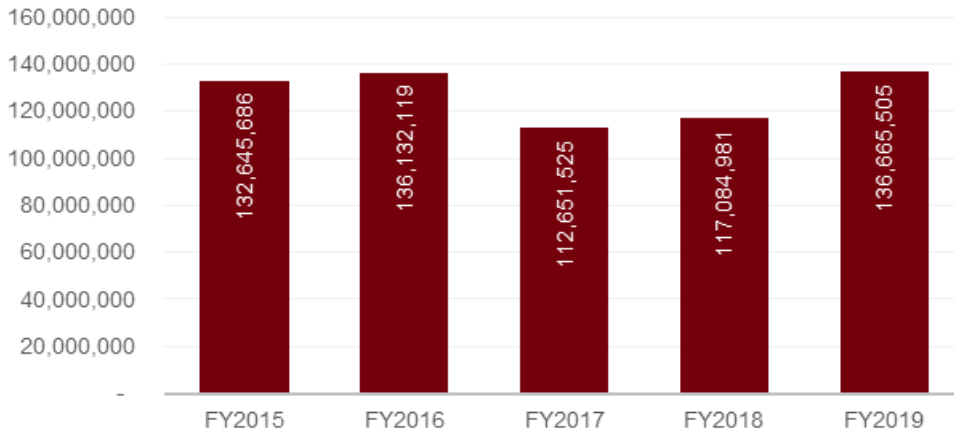
The indirect cost proposal is developed and negotiated by the Office of the Controller as well. The Department of Health and Human Services is the cognizant agency. The university's current approved indirect cost rate type is pre-determined at 49.5% for on campus locations and 26% for off-campus locations. The base is figured on direct salaries and wages including all fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each subaward. Indirect cost recoveries for research projects are split equally between academic programs, facilities administration and the general institution. Indirect cost recoveries for non-research projects which exceed \$200,000 are remitted to the State of South Carolina General Fund as required by law.

Grants and Funds Management hold regular training and provide day to day instruction to grants staff and principal investigators to ensure proper financial management of the grant programs. Each sponsored program principal investigator has the primary responsibility for financial control over their sponsored projects. Training documents and materials can be found under [webinars and training](#) on the Controller's website.

The university contracted with Elliott Davis, LLC, to conduct the [annual audit of federal award programs](#) in accordance with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") for the year ended [June 30, 2019](#). The university had one finding related to the Uniform Guidance or Single Audit that was considered a significant deficiency in internal control over financial reporting. A discrepancy between the university's capital asset module within PeopleSoft and the general ledger was identified by management during the fiscal year and corrected so there was no impact on the financial statements at fiscal year-end. This finding was related to continued improvement in financial reporting following an ERP implementation which began in July 2015. The current policy of monthly reconciliation and review is designed to promptly identify and correct any discrepancies prior to the close of the fiscal year. There were two material weaknesses in internal control over compliance regarding proper identification and classification related to CFDA numbers and clusters on the Schedule of Expenditures of Federal Awards and a lack of subrecipient monitoring of federal subawards. These material weaknesses have been addressed through a reconciliation and validation process for all federal grants and the development and implementation of a subrecipient monitoring program led by a compliance manager and a subrecipient accountant. There were also six significant deficiencies in internal controls over compliance, one within the research and development cluster and five within the student financial aid cluster. All deficiencies have been addressed by management in a corrective action plan with follow-ups to ensure all are corrected and addressed prior to the end of fiscal year 2020.

The majority of the university's sponsored project expenditures are federally funded. Total federal fund expenditures excluding Federal Direct Student Loans are shown in the chart below.

Federal Sponsored Awards Project Expenditures



Audits

All University of South Carolina financial procedures for managing externally funded or sponsored research and programs are governed by state laws and are in compliance with the requirements of the federal principals and guides. Compliance with policies and procedures is subject to review by the University of South Carolina Audit and Advisory Services, state auditors and federal auditors. The university's annual audit includes reports on basic financial statements as required by Generally Accepted Accounting Principles, and reports on compliance as required by Uniform Guidance. Additionally, the South Carolina Auditor's Office, as part of the state-wide Single Audit, may include all aspects of the university's sponsored research and other sponsored programs in its report.

Compliance

The Office of the Controller's Compliance section, manages and leads the Office of the Controller and university in the areas of regulatory compliance and policy adherence. This section is responsible for assisting the departments in the Office of the Controller with the development and maintenance of policies and procedures, managing Time and Effort collection and reporting, and managing grant subrecipient contracts in accordance with Uniform Guidance. These policies and procedures will be the basis for university department communication and training, compliance with Federal and State laws and regulations, and GASB and auditing standards. The following policies and procedures are a part of the compliance program for externally funded programs:

- [FINA 2.19 \[pdf\]](#) - Cash Advance - University Accounts
- [FINA 3.00 \[pdf\]](#) - Contract and Grant - Accounting
- [FINA 3.03 \[pdf\]](#) - Contracts and Grants - Cost Sharing
- [FINA 3.06 \[pdf\]](#) - Contracts and Grants - Participant Support
- [FINA 3.09 \[pdf\]](#) - Contracts and Grants - Consultant Services
- [FINA 3.12 \[pdf\]](#) - Contracts and Grants - Personnel Activity Reporting System
- [FINA 3.15 \[pdf\]](#) - Contracts and Grants - Closeouts
- [FINA 3.19 \[pdf\]](#) - Contracts and Grants - Elimination of Accounts Overdrafts
- [FINA 3.30 \[pdf\]](#) - Other Educational and General Program Accounts (E Funds)
- [FINA 3.35 \[pdf\]](#) - Grants and Fund Management - Cost Transfer Policy
- [FINA 9.10 \[pdf\]](#) - Cost Accounting Standards (CAS)

Sources

- [Comprehensive_Annual_FR_AY18-19](#)
- [FINA 2.19 Cash Advance - University Accounts](#)
- [FINA 3.00 Contracts and Grants - Restricted Funds](#)
- [FINA 3.03 Contracts and Grants - Cost Sharing](#)

-  FINA 3.06 Contracts and Grants - Participant Support
-  FINA 3.09 Contracts and Grants - Consultant Services
-  FINA 3.12 Contracts and Grants- Personnel Activity Reporting System
-  FINA 3.15 Contracts and Grants - CCloseouts
-  FINA 3.19 Contracts and Grants - Elimination of Accounts Overdrafts
-  FINA 3.30 Other Educational and General Program Accounts ('E' Funds)
-  FINA 3.35 Grants and Funds Management - Cost Transfer Policy
-  FINA 9.10 Cost Accounting Standards (CAS)
-  Grants and Funds Management Webinars & Training
-  Single_Audit_Report_FY18-19