

## 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

#### SACSCOC Reviewer Comments

##### Non-Compliance

The institution's response is in violation of the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) policy, "Reports Submitted for SACSCOC Review," by including a live link in its response and electronic documentation that is not consistently bookmarked, indexed, and searchable.

The institution provided a copy of the annual audit of federal award programs in accordance with Uniform Guidance for the fiscal year ended June 30, 2019. The institution 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 institution'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 an Enterprise Resource Planning (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 Catalog of Federal Domestic Assistance (CFDA) numbers and clusters on the Schedule of Expenditures of Federal Awards and a lack of subrecipient monitoring of federal subawards. The institution reports that 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 (6) significant deficiencies in internal controls over compliance, one (1) within the research and development cluster and five (5) within the student financial aid cluster. According to the institution, these 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. A new audit is needed to confirm that these corrective measures have resolved the concerns.

The institution's 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 institution'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 institution's sponsored research and other sponsored programs in its report.

The Office of the Controller's Compliance section leads the institution 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.

#### Campus Response

Due to a delay caused by the US Department of Education not having released a compliance supplement for the Federal CARES funding, the Uniform Guidance or Single Audit has not been issued as of submission. This supplement provides auditors guidance for their review and is required before an audit can be finalized.

Attached ([Document 01](#)) is the draft report, which provides the prior year findings update starting on [page 37](#). Please be reminded this is a DRAFT report only and has not been issued. We are hopeful that the audit will be issued by February 15, 2021; a copy of the final audit will be provided to the On-Site Review Committee upon receipt.

The Controller's Office has worked with our auditors, Elliott Davis, to provide a summary of the prior year findings and an update on those items. At this time the following items material weaknesses have been cleared:

1. Financial Reporting – Capital Assets
2. Internal Control – Classification of CFDA
3. Internal Control – Subrecipient

The significant deficiencies are in final review, but we are anticipating that these will be cleared as well.

## Sources

 13.5 Control of Sponsored Research External Funds Off-Site Committee Feedback

 Document 01\_Single Audit Report DRAFT 1.25.21