

PROCEDURE NUMBER: FINA 3.50 Procedure

SECTION: Administration and Finance

SUBJECT: Pre-Award Financial Review of Nongovernmental Entities

DATE: February 1, 2025

REVISION:

Procedure for: All Campuses

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Issued by: Administration and Finance – Controller’s Office

Procedure

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 3.50. This procedure is applicable to campuses, units, departments, centers, Principal Investigators (PIs), and administrators at the University who are involved with the initiation, administration, and conduct of sponsored awards. It is also applicable to external nongovernmental entities pursuing sponsored awards with the University. The purpose of this procedure is to supplement the associated policy by providing additional resources, detail, and guidance on required financial review of nongovernmental entities.

A. Roles and Responsibilities

The delineation of responsibility for pre-award financial reviews is as follows:

Office of Sponsored Awards Management (SAM)

- Notify nongovernmental entities promptly when a Notice of Award is received and use the lists of completed reviews and high-risk entities to determine and communicate when a financial review is required prior to executing an award.
- Notify the nongovernmental entity via email of the requirement to provide audited financial statements for review (and ‘cc’ the Controller’s Office at controller@sc.edu).
- Collaborate with the Controller’s Office on contractual payment terms upon completion of the financial review.
- Communicate agreed-upon contractual payment terms to the sponsor.

Controller's Office

- Maintain shared lists of completed financial reviews and high-risk entities.
- Complete the financial review of each nongovernmental entity within one week of receipt of the audited financial statements.
- Communicate the results of each review promptly to SAM, including any changes/updates to the list of high-risk entities.
- Collaborate with SAM on contractual payment terms upon completion of the financial review.
- Move delinquent balances to departmental accounts after 180 days of sponsor nonpayment, and close respective projects in the financial system.

Departments

- Coordinate sponsored award proposals and negotiations through SAM. PIs and departments are prohibited from initiating negotiations directly with a sponsor.
- Review and accept the financial risk associated with nonpayment by nongovernmental entities and determine if the contract execution should continue.
- Provide departmental account details to the Controller's Office as needed if accounts become delinquent.

B. Ratio Analysis

The following ratios and thresholds will be used by the Controller's Office, based on the nongovernmental entity's most recent audited financial statements, to determine sufficient liquidity and solvency during the required financial review:

- Current Ratio
Current Assets / Current Liabilities
 - Minimum Value: 1.00
- Quick Ratio
(Cash + Accounts Receivable + Short Term Investments) / Current Liabilities
 - Minimum Value: 1.00
- Cash Ratio
(Cash + Short Term Investments) / Current Liabilities
 - Minimum Value: 1.00
- Equity-to-Asset Ratio
Equity / Total Assets
 - Minimum Value: 70%

C. High-Risk Entities

The Controller's Office maintains a list of high-risk nongovernmental entities, which is derived from the results of the completed financial reviews and past financial delinquencies and/or default. The Controller's Office will communicate the list, and any changes/updates, to SAM.

The University/departments should not enter into agreements with entities identified as high-risk unless timely payment can be guaranteed. They are precluded from contracting with the University unless the entity agrees to the payment terms approved by both the Controller's Office and SAM and the department attests to its acceptance of the financial risk associated with nonpayment (in writing).

D. Access to Financial Statements

The Controller's Office will maintain appropriate confidentiality of the financial statements provided by nongovernmental entities for the required analysis. If proprietary information is included in the financial statements, the Controller's Office is willing to sign a Non-Disclosure Agreement as needed to safeguard the information. Refusal to provide the financial statements for the required financial review will result in a high-risk classification.