

OFFICE OF THE CONTROLLER

Policy and Procedure Updates

Compliance Matters – Part 1

August 2025



UNIVERSITY OF
South Carolina



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Policy and Procedure Purpose



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Purpose

Last fiscal year, the Controller's Office undertook a comprehensive policy and procedure update project.

This webinar series will provide a high-level overview of Controller's Office policies and procedures, including updates.



University Policies and Procedures

The [University-Wide Policies and Procedures Manual](#) is maintained by the Office of the Provost.

Controller's Office policies are captured in the Administrative and Finance section (FINA) and are also included in our [Resources and Training Toolbox](#) (Policies & Procedures section) along with accompanying procedures and appendices.



Policy and Procedure Basics



Policy

Details what is required by federal, state, local, and/or University requirements and best practices



Procedure

Accompanies policies and details how compliance with those requirements is achieved

Additional supplemental policies and procedures can be developed internally at the unit or departmental level, but they cannot contradict the overarching policies and procedures of the University.



Compliance Policies and Procedures

Policy	Procedure
<u>FINA 1.50 – Foreign Gift and Contract Reporting</u>	<u>Foreign Gift and Contract Reporting</u> <ul style="list-style-type: none">• <u>Appendix: Reporting Template</u>
<u>FINA 2.40 – Independent Contractors</u>	<u>Independent Contractors</u> <ul style="list-style-type: none">• <u>Appendix A: Independent Contractors Checklist</u>• <u>Appendix B: Foreign Source Statement</u>
<u>FINA 3.12 – Time and Effort Reporting</u>	<u>Time and Effort Reporting</u>
<u>FINA 3.31 – Subrecipient Monitoring</u>	<u>Subrecipient Monitoring</u> <ul style="list-style-type: none">• <u>Appendix: Subrecipient Risk Classification Matrix</u>
<u>FINA 3.35 – Cost Transfers</u>	<u>Cost Transfers</u>
<u>UNIV 1.70 – Drug and Alcohol Abuse Prevention Program</u>	<u>Drug and Alcohol Abuse Prevention Program</u>

FINA 1.50 – Foreign Gift and Contract Reporting



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FINA 1.50 – Foreign Gift and Contract Reporting

Section 117 of the Higher Education Act requires higher education institutions that receive federal financial assistance to disclose gifts and/or contracts with foreign sources to the U.S. Department of Education twice a year.

Reporting Threshold



Gifts/contracts that, **alone or combined**, exceed \$250,000 or more within a calendar year.

Reporting Due Dates

January 31st and **July 31st** for the preceding 6-month period (July – December and January – June).



FINA 1.50 Procedure – Foreign Gift and Contract Reporting

Below are the roles and responsibilities for Foreign Gift and Contract Reporting:

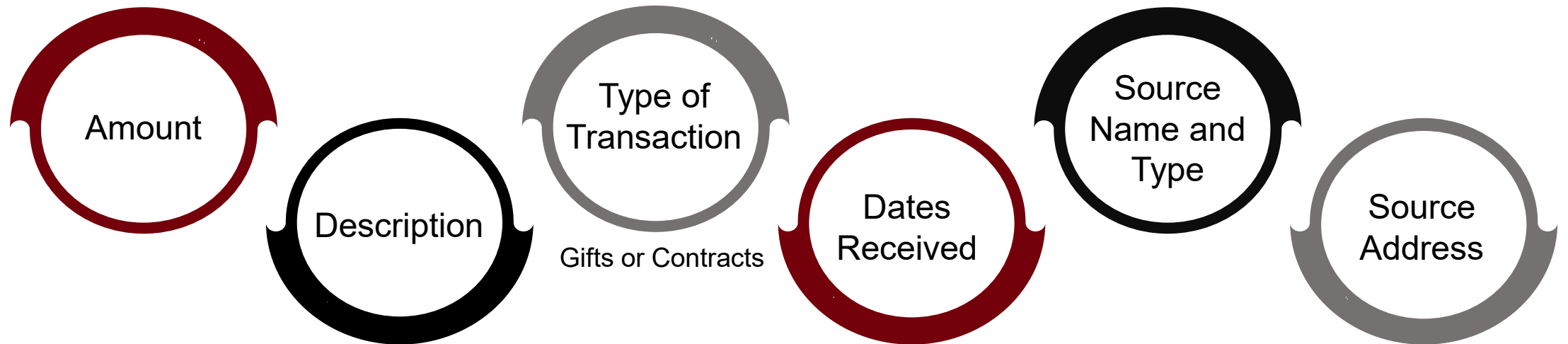
Units/departments	Controller's Office Compliance Team
Maintain detailed records to support all foreign gifts and contracts and disclose required information to the Controller's Office by <u>January 15th</u> and <u>July 15th</u> for each applicable 6-month period.	Compile, review, and submit all foreign gift and contract reports.

Certain sponsors (e.g., National Science Foundation) may have additional reporting requirements for foreign gifts and contracts. The Controller's Office also completes this reporting.



FINA 1.50 Appendix – Reporting Template

- The Reporting Template is used to collect the information needed to complete semi-annual reporting.
- The following minimum information must be maintained and disclosed by units/departments for all foreign gifts and contracts:



Including any restrictions or conditions

For contracts, include the start and end dates.



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FINA 2.40 – Independent Contractors



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FINA 2.40 – Independent Contractors

- Federal and state law, including the regulations of both the Internal Revenue Service (IRS) and U.S. Department of Labor (DOL), require the University to properly classify its workers as either employees or independent contractors.
- Misclassifying workers as independent contractors (instead of employees) may cause the University to fail to meet its legal obligations and give rise to significant liability.
- Various factors must be considered when making these determinations. No single factor is weighted more significantly – all information and factors must be considered comprehensively.

FINA 2.40 – Independent Contractors

- Employees are hired through the Division of Human Resources and paid through the Payroll Department and receive a Form W-2 for tax reporting purposes.
- Independent contractors are paid through Accounts Payable and receive a Form 1099 for tax reporting purposes.
- Any independent contractor payments to non-U.S. citizens or international parties must be analyzed prior to engagement – contact the Controller’s Office Tax Team.
- Unless otherwise specified in a contractual agreement, reimbursements to independent contractors must follow University Policy FINA 2.50 (Travel).



FINA 2.40 Procedure – Independent Contractors

Below are the roles and responsibilities related to Independent Contractor classifications:



Units and Departments

- Make appropriate employee vs. independent contractor determinations
- retain supporting documentation
- seek guidance when needed



Controller's Office

- Provide guidance when engaging independent contractors, honoraria recipients, and foreign national service providers



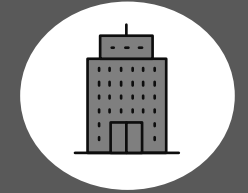
Division of Human Resources

- Hire employees
- Provide respective guidance



Purchasing Department

- Assist with sourcing
- Reviews/approves Purchase Requisitions and Purchase Orders

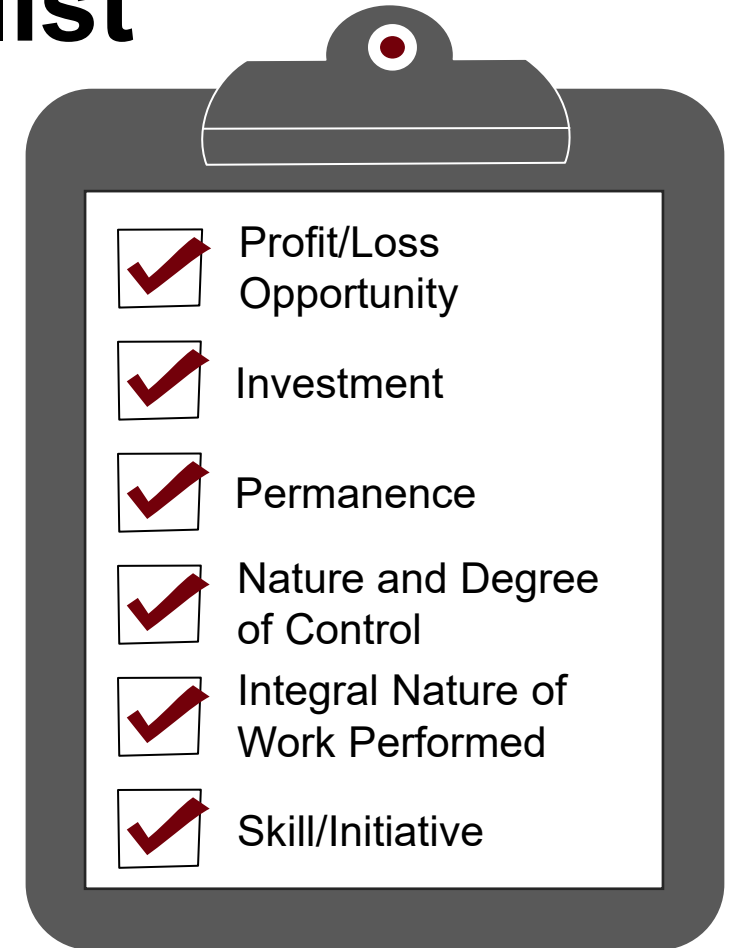


Office of General Counsel

- Provide guidance
- Review and approval of contracts.


FINA 2.40 Appendix A – Independent Contractor Checklist

- **Before** a department contracts with an individual, this checklist must be completed and retained to ensure the appropriate classification. Only limited exceptions apply.
- Among other factors, the checklist incorporates the DOL’s “totality-of-circumstances” approach, which includes the following six factors:



FINA 2.40 Appendix B – Foreign Source Statement

- If a foreign national individual is providing services outside of the U.S., the Foreign Source Statement must also be completed and retained.
- This additional form ensures appropriate documentation is maintained and helps with determining the appropriate tax treatment for foreign income.


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**FINA 2.40 – APPENDIX B
FOREIGN SOURCE STATEMENT
SERVICES PERFORMED OUTSIDE THE UNITED STATES**

I, _____ (name) certify that

1. I am not a U.S. citizen, or U.S. Person*, **and** _____
2. all of the services I am performing are being (were) performed in _____ (country).

Printed Name

Date

Signature

Payment Amount

Payment method (cash advance, reimbursement, etc.)

*Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- An estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7)

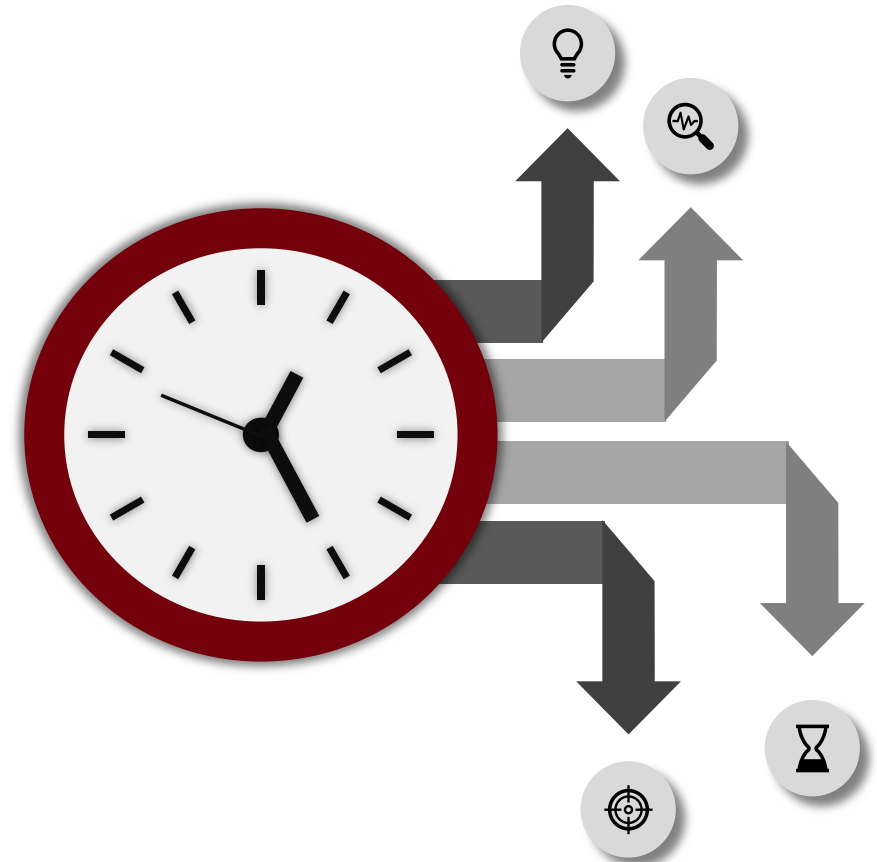
FINA 3.12 – Time and Effort Reporting



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FINA 3.12 – Time and Effort Reporting

- [2 CFR 200.430](#) requires institutions to follow acceptable methods for documenting the distribution of effort for all project personnel.
- Effort certification provides sponsoring agencies with reasonable assurance that compensation for personnel services charged to a sponsored award is appropriate and reasonable in relation to the actual work performed.
- Effort reports must be reviewed and certified in a timely manner by the employee and responsible persons with suitable means of verifying the work performed (e.g., PI, supervisor).



FINA 3.12 – Time and Effort Reporting

- Every effort must be made to ensure reports are accurate before certification occurs.
- Payroll charges must be monitored on a regular basis by employees, PIs, and other departmental personnel to confirm accuracy and ensure any corrections needed to address significant variations in effort are processed in a timely manner.
- Any salary attributable to a sponsored award above the salary cap must be recorded as cost share to properly capture and track total expended effort.



FINA 3.12 Procedure – Time and Effort Reporting

- Effort reports will be automatically generated for all employees with salaries paid from a sponsored award, whether those earnings are charged directly or counted as cost share.
- Any salary corrections must comply with [University Policy 3.35 \(Cost Transfers\)](#).
- **It is not appropriate for corrections to be requested after an effort report has been executed.**
- Effort reports must be fully certified and approved within 30 days of issuance. After 60 days, uncertified sponsored effort may be transferred to departmental funds.
- Refer to the procedure for information on roles, responsibilities, approval workflow, and eForm processes.



Each semi-annual time and effort reporting cycle covers a six-month period:

- January – June
- July – December.



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FINA 3.31 – Subrecipient Monitoring



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FINA 3.31 – Subrecipient Monitoring

- [2 CFR 200.332](#) requires all pass-through entities to perform subrecipient monitoring to ensure the subaward is being used for the authorized purpose, in accordance with regulations and the terms and conditions of the subaward.
- When the University assigns responsibility for conducting a portion of the work under the primary award to a subrecipient, the University remains responsible for managing funds and meeting performance goals.
- Subrecipient monitoring is a **shared** responsibility, involving PIs, departments, the SAM Office, and the Controller's Office. Refer to the policy for roles and responsibilities.



FINA 3.31 Procedure – Subrecipient Monitoring

Primary subrecipient monitoring activities include



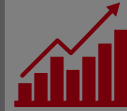
Collection of Subaward Commitment Form during pre-award process



Incorporation of applicable terms and conditions into subaward agreements (based on assessed risk level)



Ongoing compliance review of subaward invoices



Annual subrecipient risk assessment



Desk review of subaward invoices



Discussion and collaboration within the University Subrecipient Monitoring Committee



FINA 3.31 Appendix – Subrecipient Risk Classification Matrix

- Subrecipients are assessed as high, moderate, or low risk using a standard set of criteria and scoring methodology, which is detailed in the matrix. The same approach is used for all subrecipients.
- A copy of the completed Risk Assessment Form is provided to each subrecipient annually to notify them of their assessed risk level, which impacts the terms and conditions of their subaward agreements.

Subrecipient Monitoring - Risk Assessment Form					
Subrecipient Name:		Date of Risk Assessment:			
Subaward Number:					
General Assessment:					Risk Score
Risk Assessment Criteria	Low Risk (1)	Moderate Risk (2)	High Risk (3)	Score	Comments
Entity Type	US-based entity	Foreign/International entity, but not a Country of Concern	Country of Concern or going concern <i>(Note: Results in an automatic high-risk classification)</i>		
Subrecipient History (w/ USC)	Established subrecipient (2+ years)	Existing subrecipient (1-2 years)	New subrecipient (<1 year)		
Dollar Value of Annual Awards (or Expenditures)	< \$50,000	\$50,000 - \$250,000	> \$250,000		
Compliance Assessment:					Risk Score
Risk Assessment Criteria	Low Risk (1)	Moderate Risk (2)	High Risk (3)	Score	Comments
Invoicing Practices	Consistent, compliant, complete, and timely invoicing	Moderate to minor invoicing issues that improve over time	Significant invoicing issues or no invoicing history		
Monitoring Practices (e.g., compliance surveys, desk reviews, etc.)	Responsive to annual risk assessment processes	Repetitive follow-up required for annual risk assessment processes or noteworthy desk review observations	Nonresponsive to annual risk assessment processes, survey responses indicative of weak internal controls, adverse desk review findings, and/or no monitoring history		
Audit Assessment:					Risk Score
Risk Assessment Criteria	Low Risk (1)	Moderate Risk (2)	High Risk (3)	Score	Comments
Audit Coverage	Subject to Single Audit	Not subject to Single Audit, but has an independent financial statement audit	Not subject to Single Audit and no independent financial statement audit, or unable to locate applicable audits		
Audit Results	No noteworthy findings (related to grant funding, USC awards, pass-through funding, or internal controls)	Noteworthy findings (related to grant funding, USC awards, pass-through funding, or internal controls)	Adverse/material findings that could impact program funding and/or significant repeat findings		
Corrective Action	No prior year findings or prior year findings corrected	Progress made toward corrective action	Significant repeat findings and no corrective action		
Assessment Scale		Low = 8 to 12	Moderate = 13 to 18	High = 19 to 24	
Total Risk Assessment Score					-

FINA 3.35 – Cost Transfers



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FINA 3.35 – Cost Transfers

- The after-the-fact reassignment of expenditures/charges between sponsored awards.
- **A cost transfer must be requested and processed as soon as it is determined that a correction is needed.**
- Cost transfers impacting sponsored awards are only permissible when the following conditions are met:



There is a direct benefit to the sponsored award.



It complies with regulations (e.g., allowable, allocable, reasonable, consistent), sponsor terms, and University policy/procedure.



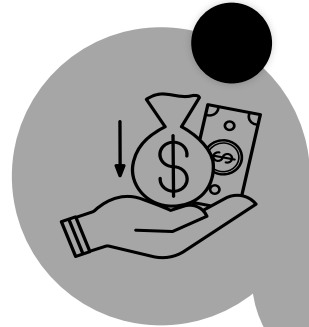
It is identified and requested in a timely manner.



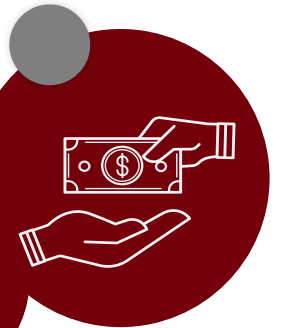
It is supported by required approvals and substantiating documentation.



FINA 3.35 – Cost Transfers



Cost transfers to a sponsored award must be submitted within 90 days of the original expenditure. Exceptions will only be authorized in limited, extenuating circumstances.



Cost transfers from a sponsored award are not subject to the 90-day requirement – correction must occur regardless of timeframe.

- Transfers made to avoid restrictions/terms or to correct deficiencies caused by overspending are not allowable.
- Parking expenditures and spending out funds is strictly prohibited.



FINA 3.35 Procedure – Cost Transfers

- **All** cost transfers require a Cost Transfer Justification Form.
- If payroll charges are impacted, a Payroll Retro Funding Change Form is also required.
- Cost transfers directly impact time and effort reporting.
- Transfer requests exceeding the 90-day threshold will require additional justification and approval – approval is not guaranteed; limited exceptions will be granted.



A signed letter from the Dean or Director that acknowledges the issue and untimely request and a corrective action plan to mitigate future occurrences



University Controller approval

- Refer to procedure for roles and responsibilities and ways to prevent cost transfers



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**UNIV 1.70 – Drug
and Alcohol Abuse
Prevention Program**



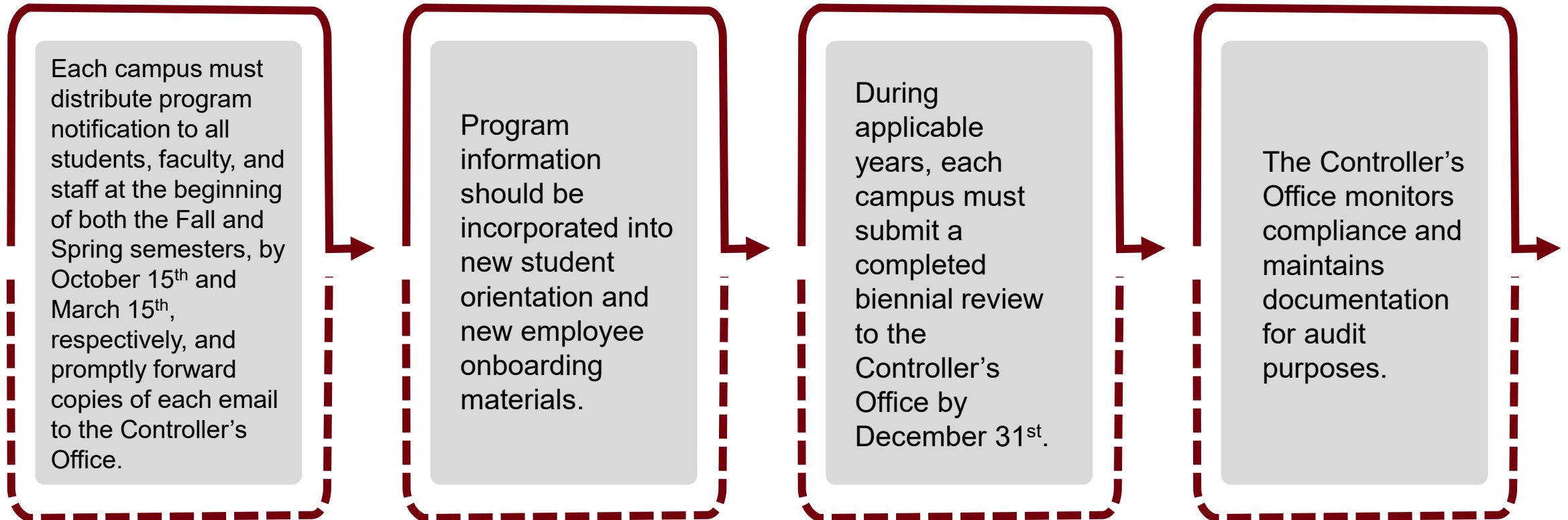
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UNIV 1.70 – Drug and Alcohol Abuse Prevention Program

- [34 CFR 668.14\(c\)](#) and [34 CFR 86.100](#) requires higher education institutions participating in any Title IV federal student aid programs to adopt and implement a drug and alcohol abuse prevention program and to adhere with certain compliance requirements. This requirement is applicable to all campuses.
- The compliance requirements include (1) an annual distribution to each employee and student that includes specific program information; and (2) a biennial review of the program.



UNIV 1.70 Procedure – Drug and Alcohol Abuse Prevention Program



Training and Communication



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Office of the Controller

Office of the Controller

General Accounting

 Grants and Funds
 Management

 Compliance and Tax
 Management

Payroll Department

 Operational Management
 and Reporting

 External Financial Reporting
 and Transparency

 Resource and Training
 Toolbox

Business Manager

Grant Administration

Principal Investigator

Policies & Procedures

Tax Cuts and Jobs Act 2017

Forms

Newsletters

 PeopleSoft Finance Training
 Schedule

Policies and Procedures

The University-wide [Policies and Procedures Manual](#) is maintained by the Office of the Provost. The Controller's Office is the owner and designated administrative office for many of those policies, which are detailed below along with any accompanying procedures.

Policies detail **what** is required by federal, state, local, and/or University requirements and best practices, whereas accompanying procedures detail **how** compliance with those requirements are achieved. Additional supplemental policies and procedures can be developed at the unit or department level, but they cannot contradict the overarching policies and procedures of the University.

Chart of Accounts

General Accounting

Treasury Management

Compliance

Travel and Reimbursement

Capital and Assets

Sponsored Awards

Payroll

Expand all



Where to Find the Resources

For Policy and Procedure resources, visit the [Policies and Procedures](#) page found in the Resource and Training Toolbox section.



Office of the Controller

Office of the Controller

General Accounting

Grants and Funds Management

Compliance and Tax Management

Payroll Department

Operational Management and Reporting

External Financial Reporting and Transparency

Resource and Training Toolbox

Business Manager

Grant Administration

Principal Investigator

Policies & Procedures

Forms

Newsletters

PeopleSoft Finance Training Schedule

Listserves

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Business Manager

The role of each Business Manager at the University of South Carolina varies across each college and department. Each Business Manager handles several responsibilities that directly influence the success of their departments and the University overall. They provide business expertise on a variety of topics including, but not limited to budget, expenses, supplier onboarding, transaction corrections, and University policies and procedures.

Below is a list of tasks a Business Manager may be responsible for within their college/department. Sections include links to training resources that support each task.

Note: Each year the Controller's Office provides refresher trainings starting the month of February thru the end of April. Registration links for all scheduled trainings are sent to our BIZMANAGER listserv end of January, provided in our monthly newsletter, and in a prior week reminder email. On demand training can be found in the sections below.

Account Funding Change

Expand all



AP Uploads



Business Expense Prepaid Cards



Cash Advances



Cost Transfer



Departmental Deposits



Employee Reimbursement (Non-travel)



Endowments



Finance Intranet

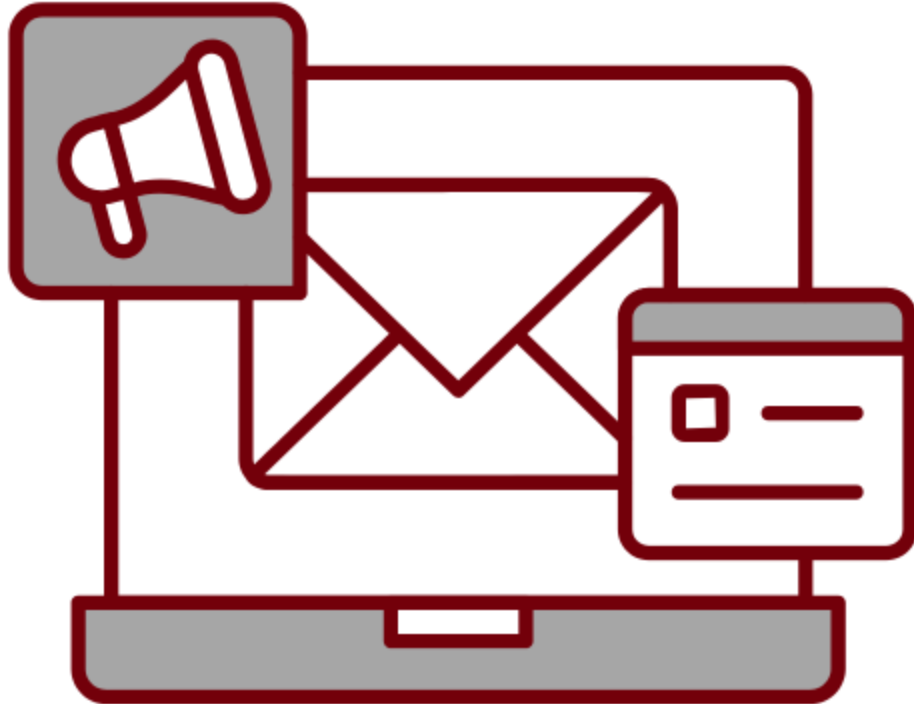


Where to Find the Resources

For training resources, visit our Business Manager page in the Resource and Training Toolbox section.



Contact Us



For specific questions, please visit our [website](#) to find the appropriate contact.



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Questions



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THANK YOU!

Office of the Controller



Alone, we can do so little; together,
we can do so much.



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