

Financial Risk Accountability Procedure

Effective Date: December 11, 2018
Function: Financial Planning and Analysis
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Basis for Procedure

To ensure the effective and efficient monitoring, control, and communication of key financial risks at campus locations that, if left unaddressed, could negatively impact the financial health of The Research Foundation for The State University of New York ("RF").

Procedure Summary

The Finance Office at RF Central Office will maintain a set of Risk Accountability metrics designed to capture significant data about the financial strength of the RF's locations. The metrics will be analyzed quarterly by the Finance Office and communicated to all locations. The Finance Office will notify the Operations Managers (OMs) at locations for which the metrics indicate an elevated level of financial risk that a response is required. The Finance Office will follow up with each OM to ensure he or she implements a corrective action plan. The RF Chief Financial Officer (CFO) will regularly inform the RF President and the Finance Committee of the RF Board of Directors as to the status and progress of this monitoring process.

Procedure Steps

Overview

The following explains location financial Risk Accountability **metrics, ratings, reporting, and follow-up.**

Metrics

There are ten metrics included in the financial Risk Accountability process, in four distinct categories as follows:

Category	Metric
Treasury	Unrestricted Cash Stability over past three years
	Unrestricted Cash- Ability to cover future corporate expenditures
	Sufficient net funds to support operations
Expenditure	Trending of Sponsored Program Expenditures
	IDC as % of Direct Revenue

Balance Sheet	Days in A/R
	Net unrestricted funds to cover deferred revenue
Risk Tolerance	At Risk as a % of unrestricted funds
	At Risk Plus Location Acct Deficits as a % of sponsored program revenue
	At Risk Plus Location Acct Deficits as a % of total revenue

Ratings

Each of these ten metrics will be assigned a rating, with a score on a scale of 0 to 3 in whole-number increments, with 3 being the lowest financial risk and 0 being the greatest financial risk. The ratings are applied consistently across locations, and the criteria will be found in the RF Report Center.

Each of the four categories are weighted to derive a composite Risk Accountability rating. Due to the importance of cash position to the RF's liquidity, the Treasury category is weighted at 40% of the total, while the Expense category and balance sheet category are each are weighted at 25%. The final category, based on At-Risk receivables and location account deficits, is weighted at 10%.

Reporting

The Risk Accountability metrics are computed using information obtained from the RF Report Center. The composite ratings for all locations for the most recent quarter-end will be updated on the Report Center to be available for OMs and Central Office Finance Office inquiry. Updates will be made quarterly and evaluated in the context of the prior three full fiscal years. Locations with composite ratings of 1.5 or less, as well as those with composite ratings that have decreased by more than 0.5 over the three-year period, may be identified by the Finance Office after considering all available information, as having an elevated level of financial risk and therefore subject to follow-up. The Finance Office will then contact the OM, as part of his or her responsibilities to manage RF activities as articulated in the [Officer Accountability Policy](#).

The Finance Office will review the rating information with the OM, and request a corrective action plan for mitigating the risks with timed objectives. The Finance Office will also update the RF's Chief Financial Officer (CFO), as well as the Finance Committee of the Board of Directors, on the ratings and the status of previously developed corrective action plans.

Follow-Up

The Finance Office will be responsible for the quarterly update of ratings and status check of identified locations. If a rating does not improve sufficiently from the previous quarter, the OM will be asked for an explanation which will be included in the reporting to the CFO and the Finance Committee. Further escalation if necessary will include, in the order presented:

Level 1- RF Central Office President

Level 2- SUNY Administration CFO and Vice Chancellor of Research and Economic Development

Level 3- Location President and CFO

Level 4- RF Board of Directors

Definitions

At-Risk receivables – Project-Task-Awards set up in the Oracle system to allow expenditures to occur prior to the receipt of sponsor's formal notification of award or fully executed agreement.

Deferred Revenue - Advance payments received for services or deliverables to be provided in the future.

Financial Risk - A type of enterprise risk involving the organization's finances. This can

include: an unplanned loss of assets, an inability to meet obligations, a significant misstatement of financial information, or a sudden adverse change in revenues or expenses.

Unrestricted Cash - A campus location's balance of funds received by the RF through indirect cost recoveries, investment income, royalty income, or other non-sponsored sources.

Related Information

[Financial Risk Accountability Policy](#)

[At Risk Policy](#)

[Managing Financial Risks at the RF](#)

[Officer Accountability Policy](#)

[Responsibility for Losses Policy](#)

Forms

None

Change History

Date	Summary of Change
December 10, 2018	Revised ratings and phrase in Reporting paragraph
July 3, 2018	New document.

Feedback

Was this document clear and easy to follow? Please send your feedback to webfeedback@rfsuny.org.

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