



The Research  
Foundation for

The State University of New York  
Finance Office

## Managing Financial Risks at the Research Foundation

### Introduction

The Research Foundation faces risk in every transaction it processes and every decision it makes. It is important to understand the financial risks inherent in the RF's business in order to mitigate and manage the risks. This document describes the roles of the people responsible for managing financial risks, describes the various categories of risk, and identifies strategies in place for mitigating and managing financial risks.

The Treasurer periodically releases a "Financial Risk Assessment" that helps bring to light those financial activities that require action to eliminate the risk or transition it away from the organization.

### Roles

The key roles involved with managing financial risk at the RF are:

1. The Board of Directors
2. Central Office Management
3. Campus Management

The *Board of Directors* is responsible for the organization's fundamental approach to managing financial risk.

*Central office management* is responsible for implementing internal controls to mitigate, manage and monitor risks. The CFO/treasurer is responsible for identifying financial risks and informing the board finance committee on the current risk environment.

*Campus management* is responsible to implement policies and procedures defined by the board and central office management.

### Financial Risks

Each category of financial activity carries its own objective and risks.

#### Balance Sheet

- **Assets.** Objective: Preserve the RF's assets.
- **Liabilities.** Objective: Know how much the liability is and ensure the RF has funds or plans to cover it.
- **Net Assets.** Objective: Not spend more than the RF earns and set aside some funds for contingencies.

#### Statement of Activities

- **Revenue.** Objective: Recognize revenue in appropriate business period.
- **Expenditures.** Objective: Record legitimate business expenses in the appropriate business period.

### Statement of Cash Flows

- **Cash Flow.** Objective: Manage cash to comply with OMB 2 CFR Part 200, manage day –to-day requirements, maximize investment return and minimize debt.

### All Financial Statements

- **Affiliated Corporations.** Objective: Support related entities while mitigating risk to the RF and accurately report financial relationships.

The section below describes the risks and the controls put in place at each level: board, central office management and campus management to mitigate, manage, monitor or make do with the risk.

- **Mitigate:** Risks that are likely to happen and have a high impact must be eliminated or transferred away from the RF.
- **Manage:** Risks that either have a large impact but are not likely to happen –or– are likely to happen but have a low impact must be managed by implementing controls, buying insurance or entering into financial contracts.
- **Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.
- **Make do with:** Risks that have a low likelihood of occurring and a low impact are accepted; failures are covered with operating funds.

Source: “Risk Management, A Risk Mapping Guide from AFP” produced by the Association for Financial Professionals

## Balance Sheet

### Assets

Objective: Preserve the RF's assets.

- 1. Cash and Cash Equivalents:** funds maintained in the checking account to pay for payroll and accounts payable.

**High-Level Risks:** Lose cash, lack of liquidity, lose assets due to foreign currency exchange

### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>Define authority for establishing bank accounts</li> <li>Define investment policy and guidelines</li> <li>Require double signature on checks exceeding \$100,000</li> <li>Appoint campus operations managers</li> <li>Define policy on responsibility for losses</li> </ul> |  |
| Central office management | <ul style="list-style-type: none"> <li>Perform centralized banking</li> <li>Define policy and procedure for establishing RF bank accounts</li> <li>Maintain computerized business system</li> <li>Train and support campus staff</li> <li>Review daily cash sheet</li> <li>Process all wires centrally</li> </ul>  |  |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policy and procedures</li> <li>Authorize project bank accounts</li> <li>Monitor bank accounts</li> <li>Maintain operating reserves</li> </ul>   | Monitor<br>\$5,000 to \$100,00         |

- 2. Accounts receivable:** sponsored expenditures in advance of cash receipts

**High-Level Risk:** Don't bill and/or can't collect on expenditures made

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Appoint campus operations managers</li> <li>Define policy on responsibility for losses</li> <li>Define "at risk" policy</li> </ul> |  |
| Central office Management | <ul style="list-style-type: none"> <li>Define policies and procedures for decentralized location award establishment and billing/collections</li> </ul>                   |  |

| Level | Controls | Primary risk manager/level/materiality |
|-------|----------|--|
|-------|----------|--|

|                   |  |                                |
|-------------------|--|--------------------------------|
|                   |  | <b>materiality</b>             |
|                   | <ul style="list-style-type: none"> <li>• Perform centralized award establishment and billing/collections</li> <li>• Maintain computerized business system</li> <li>• Train and support campus staff</li> <li>• Monitor aged and unbilled awards</li> </ul>   |                                |
| Campus Management | <ul style="list-style-type: none"> <li>• Assess creditworthiness of sponsors when establishing awards</li> <li>• Authorize award establishment and budget</li> <li>• Monitor billed, aging, and unbilled awards</li> <li>• Maintain an operating reserve</li> <li>• Negotiate contracts with advances</li> </ul> | Manage<br>\$20,000 to millions |

**3. Advances to others:** agency fund (campus-related organizations such as affiliated corporations, clinical practice plans, campus foundations) expenditures in advance of cash receipts

**High-Level Risk:** Campus-related organizations don't reimburse RF for expenditures made

**Controls**

| Level                     | Controls  | Primary risk manager/level/ materiality |
|---------------------------|---|---|
| Board                     | <ul style="list-style-type: none"> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> </ul>  |   |
| Central office management | <ul style="list-style-type: none"> <li>• Require contract with agency</li> <li>• Establish policies governing agency awards (cash-driven)</li> <li>• Maintain computerized business system</li> <li>• Train and support campus staff</li> </ul> |   |
| Campus management         | <ul style="list-style-type: none"> <li>• Authorize award establishment and budget</li> <li>• Monitor activity</li> <li>• Maintain an operating reserve</li> <li>• Negotiate contracts with advances</li> </ul>                                  | Monitor<br>\$1,000s to \$1 million      |

**4. Operating, endowment & planned giving pool investments**

**High-Level Risks:** Market, liquidity, interest rate, concentration of credit, foreign currency, custodial credit

**Controls**

| Level | Controls  | Primary risk manager/level / materiality |
|-------|---|--|
| Board | <ul style="list-style-type: none"> <li>• Define authority and document in investment policy and guidelines</li> </ul> |  |

|                           |   |                            |
|---------------------------|---|----------------------------|
|                           | <ul style="list-style-type: none"> <li>Charter finance and investment committees to include responsibility for managing risks</li> </ul>  | Manage \$1,000 to millions |
| Central office Management | <ul style="list-style-type: none"> <li>Establish investment decision-making framework to carry out board policies</li> <li>Comply with policy</li> <li>Produce monitoring report</li> </ul> |                            |
| Campus management         | <ul style="list-style-type: none"> <li>Participate on MO finance committee</li> </ul>   |                            |

## 5. Retiree health investments

**High-Level Risks:** Market, liquidity, interest rate, concentration of credit, foreign currency, custodial credit

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Define authority and document in investment policy and guidelines</li> <li>Charter finance and investment committees to include responsibility for managing risks</li> </ul> | Manage \$1,000 to millions             |
| Central office Management | <ul style="list-style-type: none"> <li>Establish investment decision-making framework to carry out board policies</li> <li>Comply with policy</li> <li>Produce monitoring report</li> </ul>                         |  |
| Campus management         | Not applicable  |  |

**6.Fixed Assets:** 35 State Street building, central office and campus administrative equipment

**High-Level Risk:** Lose asset

### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>Appoint campus operations managers</li> <li>Define policy on responsibility for losses</li> <li>Approve purchases of real property</li> </ul>           |  |
| Central office management | <ul style="list-style-type: none"> <li>Define policies and procedures for property Management and comply with OMB regulations</li> <li>Define policies and procedures for insurance</li> </ul> |  |

|                   |  |                                  |
|-------------------|--|----------------------------------|
|                   | Contract with SUNY for computerized business system to track fixed assets<br>Train and support campus staff<br>Buy insurance policies  |                                  |
| Campus management | <ul style="list-style-type: none"> <li>• Comply with policies and procedures</li> <li>• Pay for insurance coverage</li> <li>• Perform inventory</li> <li>• Monitor activity</li> </ul> | Make do with \$1,000 to \$100,00 |

**7. Other Assets:** Deferred compensation 457 plan and interest rate swap

**High-Level Risk:** Loss of asset

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | 1. Approve benefit plan <ul style="list-style-type: none"> <li>• Define authority and document in investment policy and guidelines</li> </ul>   |  |
| Central office Management | <ul style="list-style-type: none"> <li>• Manage vendor</li> <li>• Monitor activity and develop policies and procedures</li> <li>• Establish investment decision-making framework to carry out board policies</li> </ul> | Monitor \$1000-\$50,000                |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with policies and procedures</li> </ul>   |  |

**Liabilities**

Objective: Know how much the liability is and ensure the RF has funds or plans to cover it.

**8. Accounts payable and accrued expenses (AP)**

**High-Level Risks:** Pay for goods and services not received or no money to cover expenditures

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> </ul>                            |  |
| Central office management | <ul style="list-style-type: none"> <li>• Define policies and procedures for purchasing and accounts payable</li> <li>• Maintain computerized business system</li> </ul> |  |

|                   |   |  |
|-------------------|---|--|
|                   | <ul style="list-style-type: none"> <li>• Train and support campus staff</li> <li>• Estimate liability of financial statement based on statistics</li> </ul>   |  |
| Campus management | <ul style="list-style-type: none"> <li>• Comply with policies and procedures</li> <li>• Authorize purchases and expenditures</li> <li>• Review all expenses exceeding \$25,000</li> <li>• Monitor activity</li> <li>• Maintain a reserve</li> </ul> | Make do with \$1,000 - \$500,000 (some campuses have larger materiality) |

9. **Accounts payable and accrued expenses:** self-funded benefit cost incurred but not recorded (IBNR) for graduate student health, prescription drugs, dental and vision insurance costs

**High-Level Risk:** No money to pay claims

**Controls**

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>• Define benefit policy</li> <li>• Define policy on responsibility for losses</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>• Establish fringe benefit cost recovery policy</li> <li>• Manage fringe benefit pool</li> <li>• Manage vendor</li> <li>• Define policies and procedures and comply with OMB regulations</li> <li>• Monitor unpaid claims activity</li> <li>• Purchase insurance (stop loss for individual claims above \$200,000)</li> <li>• Negotiate fringe benefit rate</li> <li>• Maintain a Letter of Credit of \$4.2 million as collateral for Health Insurance</li> </ul> | Monitor \$200,000                      |
| Campus management         | <ul style="list-style-type: none"> <li>• Follow policies and procedures</li> <li>• Support employees with benefit administration</li> <li>• Ensure award budgets use current fringe benefit rate</li> </ul>  |  |

10. **Accounts payable and accrued expenses:** cost of potential claims under self-funded workers' compensation plan

**High-Level Risk:** No money to pay claims -8-

**Controls**

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>Define policy on responsibility for losses</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>Establish fringe benefit cost recovery policy</li> <li>Manage fringe benefit pool</li> <li>Manage vendor</li> <li>Define policies and procedures</li> <li>Monitor unpaid claims activity</li> <li>Purchase insurance (stop loss for claims above \$100,000)</li> <li>Negotiate fringe benefit rate</li> <li>Maintain two Letters of Credit of \$1 million and \$1.6 million as collateral for claims</li> </ul> | Monitor<br>\$10,000 to \$100,000       |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policies and procedures</li> <li>Support employees and resolve issues</li> <li>Ensure award budgets use current fringe benefit rate</li> </ul>  |  |

11. **Accrued compensation:** pay due to employees at end of financial period and accrued sick leave

**High-Level Risk:** No money to pay employees what is owed to them

**Controls**

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>Define salary plan and sick leave accrual policy</li> <li>Define sick leave accrual policy and fringe benefit pool funding sick leave over 30 days</li> <li>Appoint campus operations managers</li> <li>Define policy on responsibility for losses</li> </ul> |  |
| Central office management | <ul style="list-style-type: none"> <li>Define policies and procedures for human resources and payroll</li> <li>Maintain computerized business system</li> <li>Train and support campus staff</li> <li>Monitor</li> </ul>   |  |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policies and procedures</li> <li>Appoint people to awards with sufficient budget</li> <li>Monitor sick leave accruals and payroll activity</li> <li>Maintain operating reserve</li> </ul>   | Monitor<br>\$1,000 to \$100,000        |

12. **Accrued vacation:** funds due to employees at end of financial period for accrued but unused vacation leave

**High-Level Risk:** No money to pay employees what is owed to them



**Controls**

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>• Define vacation accrual benefit policy</li> <li>• Define policy on payments from fringe benefit pool to terminated employees for vacation accruals</li> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> </ul>     |  |
| Central office management | <ul style="list-style-type: none"> <li>• Define policies and procedures</li> <li>• Maintain computerized business system</li> <li>• Train and support campus staff</li> <li>• Negotiate fringe benefit rate with a component to cover terminated vacation</li> </ul>   |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with procedures</li> <li>• Use computerized business system or track independently</li> <li>• Monitor activity vacation accruals for accuracy</li> <li>• Maintain operating reserve</li> <li>• Ensure award budgets use current fringe benefit rate</li> </ul> | Monitor<br>\$10,000                    |

**13. Deferred revenue:** advances from sponsors

**High-Level Risk:** Can't carry out project for which sponsor has provided money

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>• Define policies and procedures for sponsored programs administration</li> <li>• Maintain computerized business system</li> <li>• Train and support campus staff</li> </ul>   |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with policies and procedures</li> <li>• Review all proposals to ensure campus can meet sponsor requirements</li> <li>• Authorize awards and budgets</li> <li>• Monitor surplus accounts activity</li> </ul> | Monitor<br>\$1,000 to millions         |

**14. Deposits held for others:** advances from agency funds, planned giving and endowment funds

**High-Level Risk:** Funds not available to cover the requirements

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> <li>• Define policy on planned giving</li> <li>• Authorize quasi endowments</li> </ul> |  |
| Central office management | <ul style="list-style-type: none"> <li>• Define policies and procedures for planned giving administration</li> <li>• Require contract with agent</li> <li>• Maintain computerized business system</li> </ul>                  |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with procedures</li> <li>• Maintain operating reserves</li> <li>• Monitor agency activities</li> </ul>  | Monitor<br>\$1,000 to millions         |

**15. Post-retirement benefit obligation:** funds to pay cost of health insurance for RF retirees

**High-Level Risk:** No money to pay future claims

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Define retiree health benefit and contributions levels</li> <li>• Define retiree health insurance funding policy</li> </ul>  | Manage<br>\$60 million unfunded        |
| Central office management | <ul style="list-style-type: none"> <li>• Define fringe benefit cost recovery policy</li> <li>• Manage fringe benefit pool</li> <li>• Manage the vendor providing the benefit</li> <li>• Monitor claims for accuracy</li> <li>• Negotiate fringe benefit rate</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Ensure award budgets use current fringe benefit rate</li> </ul>  |  |

**16. Long-term debt:** 35 State Street mortgage and capital leases

**High-Level Risk:** No money to pay back money borrowed

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Authorize all debt</li> <li>• Approve Financial Plan</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>• Perform centralized debt management</li> <li>• Develop and implement Financial Plan</li> <li>• Monitor central office budget for funds to make payments</li> </ul> | Monitor<br>\$1 million/year            |

|                   |                |  |
|-------------------|----------------|--|
| Campus management | Not applicable |  |
|-------------------|----------------|--|

17. **Line of credit:** \$80 million authorized line of credit (LOC) to support sponsored program activities

**High-Level Risk:** No funds available to pay interest, campus unable to recover funds from sponsors to pay on termination date

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Authorize all debt</li> <li>• Authorize maximum for line of credit</li> <li>• Appoint campus operations managers</li> <li>• Define policy on responsibility for losses</li> </ul>                      |  |
| Central office management | <ul style="list-style-type: none"> <li>• Define policies and procedures for borrowing on line of credit</li> <li>• <b>Manage banking relationship and cash flow.</b></li> <li>• Monitor activity</li> <li>• Produce quarterly report</li> </ul> | <b>Manage</b><br>\$80 million          |
| Campus management         | <ul style="list-style-type: none"> <li>• Authorize awards and budgets</li> <li>• Request borrowing from LOC</li> <li>• Comply with policies and procedures</li> </ul>   |  |

18. **Other liabilities:** Deferred compensation plan 457 & contingent liabilities

**High-Level Risk:** For 457 plans: assets don't equal liability. For contingent liabilities: no funds available to pay potential claims

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | 2. Approve benefit plan <ul style="list-style-type: none"> <li>• Define authority and document in investment policy and guidelines</li> <li>• Define authority for Risk Management</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>• Manage vendor</li> <li>• Establish investment decision-making framework to carry out board policies</li> <li>• Purchase insurance to cover potential claims for any contingent liabilities</li> <li>• <b>Annually monitor all outstanding legal issues for potential liability to be recorded in the Audited Financial Statements</b></li> </ul> | <b>Monitor</b><br>\$100-\$1million     |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with policies and procedures</li> </ul>   |  |

## Net Assets

Objective: Not spend more than the RF earns and set aside some funds for contingencies.

### 19. Net assets

**High-Level Risk:** No working capital

#### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"><li>• Define corporate reserve funding policy</li><li>• Define investment reserve policy</li><li>• Approve Financial Plan</li></ul>   | Manage \$million                       |
| Central office management | <ul style="list-style-type: none"><li>• Develop and implement Financial Plan</li><li>• Manage working capital</li><li>• Maintain reserves</li><li>• Develop policies and procedures for RF-funded awards</li><li>• Maintain computerized business system</li><li>• Train and support campus staff</li></ul> |  |
| Campus management         | <ul style="list-style-type: none"><li>• Comply with policies and procedures</li><li>• Maintain campus reserves</li><li>• Support central office with cash flow forecasting</li></ul>  |  |

## Statement of Activities

### Revenue

Objective: recognize revenue in appropriate business period

1. **Sponsored Program Direct Revenue.** Revenue recorded when expenditures made from sponsored program awards.

**High-Level Risk:** Expenditures made during defined business period later identified as unallowable.

#### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"><li>• Define revenue recognition policy</li></ul>   |  |
| Central office management | <ul style="list-style-type: none"><li>• Define sponsored program expenditure criteria</li><li>• Maintain computerized business system</li><li>• Monitor recorded revenue and account classifications</li><li>• Train and support campus staff</li></ul> |  |

|                   |   |         |
|-------------------|---|---------|
| Campus management | <ul style="list-style-type: none"> <li>Comply with policies and procedures, use appropriate account classifications for accurate revenue recording</li> <li>Develop direct and indirect costing policies</li> <li>Review direct expenditures for reasonableness, allowability and allocability</li> </ul> | Monitor |
|-------------------|---|---------|

**2.Sponsored Program F&A Revenue.** Revenue recorded when expenditures made from sponsored program awards.

**High-Level Risk:** Incorrect rate applied or expenditures made during defined business period later identified as unallowable

**Controls**

| Level                     | Controls  | Primary risk manager/level/ materiality |
|---------------------------|---|---|
| Board                     | <ul style="list-style-type: none"> <li>Define revenue recognition policy</li> </ul>   |   |
| Central office management | <ul style="list-style-type: none"> <li>Maintain computerized business system</li> <li>Maintain burdening schedules</li> <li>Monitor recorded revenue</li> <li>Train and support campus staff</li> </ul> |   |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policies and procedures</li> <li>Develop direct and indirect costing policies</li> </ul>   | Monitor                                 |

**3. Royalties.** Revenue recorded is based on cash received (don't record receivables or intangible assets)

**High-Level Risk:** Licensee not paying royalties, patent infringements

**Controls**

| Level                     | Controls   | Primary risk manager/level/ materiality |
|---------------------------|--|---|
| Board                     | <ul style="list-style-type: none"> <li>Define revenue recognition policy</li> <li>Patent Policy Board, defines TTO policies</li> </ul>   |   |
| Central office management | <ul style="list-style-type: none"> <li>Develop and implement Technology Transfer procedures</li> <li>Engage legal counsel for infringement cases</li> <li>Maintain computerized business system</li> <li>Monitor recorded revenue</li> <li>Train and support campus staff</li> </ul> | Monitor                                 |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policies and procedures</li> <li>Support TTO activities</li> <li>Decentralized campus comply with Patent Policy</li> </ul>  |   |

**4. Investment Income.** Revenue recorded based on change in market value (gains/losses), dividend or interest payable date.

**High-Level Risk:** Misstatement of market value of investments, under or over recorded unrealized gains

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Define revenue recognition policy &amp; investment guidelines</li> <li>Hire custodian, investment consultants and investment managers</li> </ul>         |  |
| Central office management | <ul style="list-style-type: none"> <li>Implement investment guidelines</li> <li>Monitor investment performance &amp; recorded revenue</li> <li>Maintain computerized business system</li> </ul> | Monitor                                |
| Campus management         | <ul style="list-style-type: none"> <li></li> </ul>  |  |

**5. Other Revenue.** Includes agency fees, equity distributions from LLC, gifts, third party service center, and sale of assets. Revenue recorded on agency fee based on calculation of rate applied to direct expenditures. Revenue recorded for all other on cash receipts.

**High-Level Risk:** Unrecorded or over recorded, unrelated to the mission

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Define revenue recognition policy</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>Monitor recorded revenue and account classifications</li> <li>Maintain computerized business system</li> <li>Support campus develop of rates</li> <li>Monitor for relationship to mission</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>Comply with policies and procedures</li> <li>Develop &amp; apply appropriate rates</li> <li>UBIT review</li> </ul>   | Monitor                                |

**Expenditures**

Objective: record legitimate business expenses in the appropriate business period.

**6. Sponsored program expenses**

**High-Level Risk:** Expenditures made during defined business period later identified as unallowable

**Controls**

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     |   |  |
| Central office management | <ul style="list-style-type: none"> <li>Develop policies and procedures</li> <li>Maintain computerized business system</li> <li>Maintain cash management system to comply with OMB 2 CFR Part 200</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>Ensure direct expenditures are reasonable, allowable and allocable</li> </ul>  | Monitor                                |

## 7. Administration and support expenses

**High-Level Risk:** not appropriate business expenses, reputation risk, misclassified costs

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Develop RF funded policies to comply with 1977 agreement</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>Maintain computerized business system</li> <li>Develop policies and procedures for RF funded expenditures</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>Scrub accounts to ensure allowable for the F&amp;A proposal</li> </ul>   | Monitor                                |

**9. Agency direct expenses.** Agency direct expenditures are NOT recorded on the RF's financial statement. These cost are recorded in the RF IRS 990

**High-Level Risk:** reputation risk, related party transactions

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     |   |  |
| Central office management | <ul style="list-style-type: none"> <li>Maintain computerized business system</li> <li>Develop boilerplate contracts</li> </ul>              |  |
| Campus management         | <ul style="list-style-type: none"> <li>Use boilerplate contracts</li> <li>Comply with agency specific cost policies per contract</li> </ul> | Monitor                                |

## Statement of Cash Flows

Objective: Manage cash to comply with OMB 2 CFR Part 200 , manage day –to-day requirements, maximize investment return and minimize debt.

## 1. Cash Flow from Operations

**High-Level Risk:** insufficient cash to cover payments

### Control

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>Develop annual financial budget to ensure working capital, availability of capital</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>Develop an annual cash flow plan for sponsored programs, corporate expenditures, agency activity and fringe benefit pool</li> <li>Maintain computerized business system to support the treasury function</li> <li>Maintain cash management system to comply with OMB 2 CFR Part 200</li> </ul>                                 |  |
| Campus management         | <ul style="list-style-type: none"> <li>Monitor cash disbursements to ensure budget exists</li> <li>Monitor sponsors' advances and timely billing</li> <li>Monitor agency advances and minimize receivables.</li> <li>Monitor corporate expenditures to ensure allocation exists and actual vs. forecasted revenue is sufficient to cover cash disbursement</li> </ul> | Monitor                                |

## 2. Cash Flow from Financing Activities

**High-Level Risk:** debt capacity is insufficient to cover capital needs

### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>Develop annual financial budget to ensure working capital, availability of capital</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>Develop an annual cash flow plan for sponsored programs, corporate expenditures, agency activity and fringe benefit pool</li> <li>Maintain computerized business system</li> <li>Maintain cash management system to monitor capital requirements</li> <li>Manage relationship with bond rating agencies</li> <li>Identify appropriate debt instrument to meet capital need</li> </ul> | Monitor                                |



|                   |  |  |
|-------------------|--|--|
|                   | <ul style="list-style-type: none"> <li>• Develop financial plan to cover debt costs</li> </ul> |  |
| Campus management | <ul style="list-style-type: none"> <li>• Comply with debt policies and procedures</li> </ul>   |  |

### 3. Cash Flow from Investing Activities

**High-Level Risk:** insufficiently managing investment risk and insufficient investment return to meet cash requirements.

#### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>• Develop annual financial budget to ensure plan for investment pools</li> <li>• Develop investment spending formula</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>• Develop an annual cash flow plan for operations and identify funds available for investment</li> <li>• Maintain computerized business system</li> <li>• Maintain cash management system to monitor cash requirements vs. funds available for investment</li> <li>• <a href="#">Monitor annual financial budget</a></li> </ul> | Monitor                                |
| Campus management         | <ul style="list-style-type: none"> <li>• Comply with debt policies and procedures</li> </ul>   |  |

### All Financial Statements

#### Affiliated Corporations

Objective: Support related entities while mitigating risk to the RF and accurately report financial relationships.

#### 1. Consolidation of financial activity for single member affiliated corporations

**High-Level Risk:** controlling interest in the entity, inaccurate financial data

#### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>• Approve all affiliated corporations</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>• If single member, the entity is required to provide AFS and IRS 990 filing</li> <li>• <a href="#">Monitor entities' financial activity and ensure timely reporting of data for consolidation requirement</a></li> <li>• <a href="#">Review AFS and IRS tax returns</a></li> <li>• Maintain computerized system</li> </ul> | Monitor                                |

|                   |  |  |
|-------------------|--|--|
|                   | <ul style="list-style-type: none"> <li>• Monitor activity quarterly and assess the financial transactions to ensure appropriate transparency reporting in RF financial statement</li> <li>• Review board minutes for commitment and contingency with potential financial risk to the RF</li> <li>• Review affiliated significant contracts for potential financial risks to the RF.</li> </ul> |  |
| Campus management | <ul style="list-style-type: none"> <li>•</li> </ul>  |  |

## 2. Corporate expenditures (RF-funded) support entity

Note: Classified as administration and support in Statement of Activities

**High-Level Risk:** controlling interest in the entity, misclassification of expenditures, misclassified asset (if LLC)

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Approve all affiliated corporations</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>• Monitor entity to ensure RF support is minimal</li> </ul>  |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Classify cost appropriately to comply with RF policies and procedures</li> <li>• Certify F&amp;A cost proposals to validate cost are not in the calculation</li> </ul> | Monitor                                |

## 3. Agency relationship

**High-Level Risk:** credit risk, campus ability to cover losses

**Classified on Balance Sheet;** deposit held for other or advances to others

### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Approve all affiliated corporations</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>• Develop boilerplate agency agreements</li> <li>• Monitor activity quarterly to review activity to ensure appropriate transparency reporting in RF financial statement</li> </ul> |  |
| Campus                    | <ul style="list-style-type: none"> <li>• Comply with RF policies and procedures</li> </ul>  |  |

|            |  |         |
|------------|--|---------|
| management | <ul style="list-style-type: none"> <li>• Ensure funds are received timely</li> <li>• Review all activity to ensure arms-length transactions (related party transaction requirement in RF IRS 990)</li> </ul> | Monitor |
|------------|--|---------|

#### 4. Sponsored Program Activity

Note: Classified balance sheet: deferred revenue, A/R, classified in statement of changes: sponsored revenue and expense

**High-Level Risk:** not an arms length transaction

##### Controls

| Level                     | Controls   | Primary risk manager/level/materiality |
|---------------------------|--|--|
| Board                     | <ul style="list-style-type: none"> <li>• Approve all affiliated corporations</li> </ul>  |  |
| Central office management | <ul style="list-style-type: none"> <li>• Develop boilerplate agreements and conflict of interest policy</li> <li>• Monitor all activity quarterly to ensure appropriate transparency reporting in RF financial statements</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Document all contracts are arms length transactions and report any potential conflict of interest</li> <li>• Comply with RF policies and procedures</li> </ul>                              | Monitor                                |

#### 5. Non-Sponsored Program Activity

Note: Classified on statement of changes: other revenue, support expense

**High-Level Risk:** not an arms length transaction

##### Controls

| Level                     | Controls  | Primary risk manager/level/materiality |
|---------------------------|---|--|
| Board                     | <ul style="list-style-type: none"> <li>• Approve all affiliated corporations</li> </ul>   |  |
| Central office management | <ul style="list-style-type: none"> <li>• Develop boilerplate agreements and conflict of interest policy</li> <li>• Monitor all activity quarterly to ensure appropriate transparency reporting in RF financial statement</li> </ul> |  |
| Campus management         | <ul style="list-style-type: none"> <li>• Document all contracts are arms length transactions and report any potential conflict of interest</li> <li>• Comply with RF policies and procedures</li> </ul>                             | Monitor                                |