



Office of Audit Services
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

October 13, 2011

Report Number: A-02-11-02000

Ms. Bonny Boice
Executive Vice President
The Research Foundation of the State University of New York
35 State Street
Albany, NY 12207-2826

Dear Ms. Boice:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Select Expenditures Claimed by The Research Foundation of the State University of New York, State University of New York at Albany*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact John J. Madigan, Audit Manager, at (518) 437-9390, extension 224 or through email at John.Madigan@oig.hhs.gov. Please refer to report number A-02-11-02000 in all correspondence.

Sincerely,

/James P. Edert/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Sheila Conley
Deputy Assistant Secretary for Finance
OS/ASFR/Office of Finance
U. S. Department of Health and Human Services
Room 549D, Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, DC 20201

cc:

Ms. Kim Bessette
Associate Vice President, Financial Management and Budget
University at Albany

James Dias, Ph.D.
Vice President for Research
University at Albany

Ms. Emily Kunchala
Director, Internal Audit
The Research Foundation of the State University of New York

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF SELECT EXPENDITURES
CLAIMED BY THE RESEARCH
FOUNDATION OF THE STATE
UNIVERSITY OF NEW YORK, STATE
UNIVERSITY OF NEW YORK AT ALBANY**



Daniel R. Levinson
Inspector General

October 2011
A-02-11-02000

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

EXECUTIVE SUMMARY

BACKGROUND

The State University of New York (SUNY) is the nation's largest state university system. SUNY has 64 educational institutions located throughout New York State, including the University at Albany (the University).

The Research Foundation of SUNY (the Foundation), headquartered in Albany, New York, helps SUNY acquire, administer, and manage external funds to advance research and education, and transfer technology from SUNY campuses to the marketplace. During the period July 1, 2008, through June 30, 2009, the Foundation claimed reimbursement for \$7,668,380 of expenditures incurred on 70 sponsored agreements with U.S. Department of Health and Human Services component agencies.

Principles for determining the allowability of expenditures charged to sponsored agreements with the Foundation and other educational institutions are set forth in 2 CFR pt. 220 (Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"). These cost principles apply both to direct costs—expenses incurred solely for the performance of a particular sponsored agreement—and to facilities and administrative (F&A) costs—indirect expenses incurred for common or joint objectives of the institution and cannot be readily and specifically identified with a particular sponsored agreement.

OBJECTIVE

Our objective was to determine whether the Foundation claimed Federal reimbursement for administrative, clerical, and extra service compensation expenditures as direct costs in accordance with Federal regulations.

SUMMARY OF FINDINGS

The Foundation generally claimed Federal reimbursement for administrative, clerical, and extra service compensation expenditures in accordance with Federal regulations. Of the 322 expenditures that we reviewed, 275 complied with Federal regulations, but 47 expenditures totaling \$82,922 did not. These unallowable expenditures occurred because the Foundation had not established adequate controls to ensure consistent compliance with the cost principles applicable to charges for administrative, clerical, and extra service compensation expenditures.

RECOMMENDATIONS

We recommend that the Foundation:

- refund \$82,922 to the Federal Government; and
- establish adequate controls to ensure consistent compliance with the costs principles applicable to charging administrative, clerical, and extra service compensation expenditures to sponsored agreements.

THE FOUNDATION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the Foundation partially agreed with our first recommendation (financial disallowance), concurred with our second recommendation, and described actions it has taken or planned to take to ensure consistent compliance with the costs principles. Specifically, the Foundation agreed to refund \$48,651 (\$36,416 direct costs and \$12,235 related F&A costs). For the remaining costs questioned in our draft report, the Foundation provided additional documentation under separate cover to support the allowability of the expenditures. Based on our review of the additional documentation, we accepted some of the costs questioned in our draft report, and revised our findings and first recommendation accordingly.

The Foundation's comments appear in their entirety as the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
The State University of New York.....	1
The Research Foundation of the State University of New York.....	1
The American Recovery and Reinvestment Act of 2009.....	1
Cost Principles.....	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope	2
Methodology	2
FINDINGS AND RECOMMENDATIONS	3
EXPENDITURES DID NOT SOLELY BENEFIT SPONSORED AGREEMENT	4
EXPENDITURES FOR OFFICE SUPPLIES.....	4
EXPENDITURES FOR PROMOTIONAL GIVEAWAY ITEMS	5
EXPENDITURES REQUIRED NO UNUSUAL DEGREE OF CLERICAL SUPPORT.....	5
EXTRA SERVICE PERFORMED ON DUTIES NOT RELATED TO THE SPONSORED AGREEMENT	5
RECOMMENDATIONS	6
THE FOUNDATION COMMENTS	6
OFFICE OF INSPECTOR GENERAL RESPONSE.....	6
APPENDIX	
THE FOUNDATION COMMENTS	

INTRODUCTION

BACKGROUND

The State University of New York

The State University of New York (SUNY) is the nation's largest state university system. SUNY has 64 educational institutions located throughout New York State, including the University at Albany (the University).

The Research Foundation of State University of New York

The Research Foundation of SUNY (the Foundation), headquartered in Albany, New York, helps SUNY acquire, administer, and manage external funds to advance research and education, and transfer technology from SUNY campuses to the marketplace. During the period July 1, 2008, through June 30, 2009, the Foundation claimed reimbursement for \$7,668,380 of expenditures incurred on 70 sponsored agreements with U.S. Department of Health and Human Services (HHS) component agencies.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act) was enacted on February 17, 2009. During the period February 17, 2009, through June 30, 2009, the Foundation received \$8,847,317 in total Recovery Act funding from HHS and other Federal agencies. Of this amount, the University received \$415,908 of Recovery Act funds awarded by HHS.

Cost Principles

Principles for determining the allowability of expenditures charged to sponsored agreements with the Foundation and other educational institutions are set forth in 2 CFR pt. 220 (Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions"). These cost principles apply both to direct costs—expenses incurred solely for the performance of a particular sponsored agreement—and to facilities and administrative (F&A) costs—indirect expenses incurred for common or joint objectives of the institution and cannot be readily and specifically identified with a particular sponsored agreements.¹

In accordance with OMB Circular A-21, Att. A § C.4.d.1, each college and university is responsible for ensuring that direct and F&A costs charged to federally sponsored agreements are allowable under these cost principles.

¹ Educational institutions are reimbursed for F&A costs through rates negotiated with the Federal Government. Institutions with significant numbers of federally funded agreements frequently have multiple F&A rates applicable to different functions, such as research, training, or other institutional activities. The F&A rates are made up of two components—facilities and administrative.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

Our objective was to determine whether the Foundation claimed Federal reimbursement for administrative, clerical, and extra service compensation expenditures as direct costs in accordance with Federal regulations.

Scope

Our audit covered administrative, clerical, and extra service compensation expenditures claimed for reimbursement from July 1, 2008, through June 30, 2009. The audit was limited to sponsored agreements between the Foundation and the following HHS component agencies: National Institutes of Health, Centers for Disease Control and Prevention, Administration for Children and Families, Health Resources and Services Administration, and Substance Abuse and Mental Health Services Administration. We did not evaluate expenditures related to the Foundation's agreements with other Federal agencies.

We did not perform an overall assessment of the Foundation's internal control structure. Rather, we reviewed only the internal controls related to our audit objective, including an assessment of the Foundation's policies and procedures related to the identification of and accounting for administrative, clerical, and extra service compensation expenditures.

We conducted our field work at the Foundation's offices located on the University's campus in Albany, New York between November 2010 and March 2011.

Methodology

To accomplish our audit objective, we:

- held discussions with Foundation officials to obtain an understanding of the University's procedures for claiming administrative, clerical and extra service compensation expenditures to sponsored agreements;
- reviewed the Foundation's policies and procedures related to the identification of and accounting for administrative, clerical, and extra service compensation expenditures;
- reviewed the Foundation's approved Cost Accounting Standards Board Disclosure Statement (DS-2);²

² Educational institutions that receive aggregate sponsored agreements totaling \$25 million or more are required to disclose their cost accounting practices by filing a DS-2. The University's DS-2 was submitted to the HHS Division of Cost Allocation (DCA).

- obtained a database of 4,049 expenditures, totaling \$7,668,380, that the Foundation charged to 70 HHS-sponsored agreements during the period July 1, 2008, through June 30, 2009;
- identified in this database 322 administrative, clerical, and extra service compensation expenditures, totaling \$1,241,884;³
- identified sponsored agreements that met the definition of “major project;”⁴
- contacted the awarding agencies to discuss the allowability of selected expenditures charged to the associated sponsored agreements;
- Interviewed University clerical staff to gain an understanding of their services provided directly to sponsored agreements; and
- computed the F&A costs related to the unallowable expenditures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The Foundation generally claimed Federal reimbursement for administrative, clerical, and extra service compensation expenditures in accordance with Federal regulations. Of the 322 expenditures that we reviewed, 275 complied with Federal regulations, but 47 expenditures totaling \$82,922 did not. The following table (next page) summarizes the 47 unallowable expenditures claimed by the Foundation.

³ The 322 expenditures were composed of 181 clerical transactions (\$1,105,395), 137 administrative transactions (\$125,941), and 4 extra service compensation transactions (totaling \$10,548).

⁴ “Major project” is defined as a sponsored agreement that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments (OMB Circular A-21, Att. A, § F.6.b.2).

Type of Deficiency	Number of Unallowable Transactions	Unallowable Amount Claimed⁵
Expenditures did not solely benefit sponsored agreement	30	\$59,504
Expenditures for office supplies	11	4,139
Expenditures for promotional giveaway items	2	3,350
Expenditures required no unusual degree of clerical support	3	5,598
Extra service performed on duties not related to sponsored agreement	1	10,331
Total	47	\$82,922

These unallowable expenditures occurred because the Foundation had not established adequate controls to ensure consistent compliance with the cost principles applicable to charges for administrative, clerical, and extra service compensation expenditures.

EXPENDITURES DID NOT SOLELY BENEFIT SPONSORED AGREEMENT

Pursuant to OMB Circular A-21, Att. A, § C.4.a., a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement and benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

The Foundation could not document that \$45,089 in administrative expenditures for information technology supplies (e.g., computers, monitors, printers, warranties, and digital cameras) were used solely to advance the work under the sponsored agreements. For example, we found that the Foundation purchased \$23,335 of computers during the last week of—or after the end of—the associated project period. These purchases could not solely benefit the research project. The Foundation also improperly claimed \$14,415 for F&A costs applicable to these expenditures. Therefore, the total unallowable amount claimed was \$59,504.

EXPENDITURES FOR OFFICE SUPPLIES

Pursuant to OMB Circular A-21, Att. A, § F.6.b.(3), items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

The Foundation improperly claimed \$3,370 as direct administrative expenditures for office supplies (e.g., toner, paper, binders, binder clips, tape, folders, and pens). Pursuant to Federal regulations, these supplies should have been treated as F&A expenditures. The Foundation also improperly claimed \$769 for F&A costs applicable to these expenditures. Therefore, the total unallowable amount claimed was \$4,139.

⁵ Total fringe benefit costs were calculated using the fringe benefit rate (37.5 percent) negotiated between the Foundation and DCA. The Foundation subjectively used an F&A rate that was equal to or lower than the DCA negotiated rate (51.5 percent) on HHS awards. In calculating the unallowable amount, we applied the fringe benefit rate to clerical salaries and extra service compensation, and the appropriate F&A rate to administrative costs, clerical salaries, extra service compensation, and related fringe benefits.

EXPENDITURES FOR PROMOTIONAL GIVEAWAY ITEMS

Pursuant to OMB Circular A-21, Att. A, § J.1.f.(3), costs of promotional items and memorabilia—including models, gifts, and souvenirs—are unallowable.

The Foundation improperly claimed \$3,350 as direct administrative expenditures for flash drives that the Foundation used as a giveaway item at a conference. The sponsored agreement proposals, award documents, and other materials in the Foundation’s sponsored agreement files contained no evidence indicating that these purchases provided direct benefit to the sponsored agreement. The Foundation did not have F&A costs associated with these expenditures. Therefore, the total unallowable amount claimed was \$3,350.

EXPENDITURES REQUIRED NO UNUSUAL DEGREE OF CLERICAL SUPPORT

Pursuant to OMB Circular A-21, Att. A, § F.6.b.2:

“... salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a ‘major project’ or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the sponsored agreement or activity. ‘Major project’ is defined as a sponsored agreement that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.”

The Foundation improperly claimed \$3,246 as direct clerical salaries. Specifically, the Foundation provided no evidence that the nature of the work performed on the sponsored agreements justified any unusual degree of clerical support to accomplish sponsored agreement objectives. In addition, the Foundation could not provide documentation justifying that the sponsored agreements met the definition of a “major project.” The Foundation also claimed \$1,217 for fringe benefits and \$1,135 for F&A costs applicable to the clerical salaries. Therefore, the total unallowable amount claimed was \$5,598.

EXTRA SERVICE PERFORMED ON DUTIES NOT RELATED TO THE SPONSORED AGREEMENT

Pursuant to OMB Circular A-21, Att. A § J.10.d, grantees shall not charge sponsored agreements in excess of a faculty member’s base salary. In addition, the cost principles state that intra-university consulting is a university obligation that generally requires no compensation in addition to full-time base salary. In “unusual cases” where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

The Foundation improperly claimed \$5,963 for extra service compensation for one employee who performed duties not specifically provided for in the sponsored agreement or approved in writing by the sponsoring agency. The Foundation also improperly claimed \$2,236 for fringe benefits and \$2,132 for F&A costs applicable to the extra service compensation. Therefore, the total unallowable amount claimed was \$10,331.

RECOMMENDATIONS

We recommend that the Foundation:

- refund \$82,922 to the Federal Government; and
- establish adequate controls to ensure consistent compliance with the costs principles applicable to charging administrative, clerical, and extra service compensation expenditures to sponsored agreements.

THE FOUNDATION COMMENTS

In written comments on our draft report, the Foundation partially agreed with our first recommendation (financial disallowance), concurred with our second recommendation, and described actions it has taken or planned to take to ensure consistent compliance with the costs principles. Specifically, the Foundation agreed to refund \$48,651 (\$36,416 direct costs, and \$12,235 related F&A costs). For the remaining costs questioned in our draft report, the Foundation provided additional documentation under separate cover to support the allowability of the expenditures.

The Foundation also stated that its purchases of computers during the last week of—or after the end of—the associated project period were allowable because HHS extended the project’s budget period to September 2011. Therefore, according to the Foundation, the purchases were made within the project period. The Foundation also disagreed with our finding related to its purchase of a laptop computer and stated that the laptop was purchased for the sole use of meeting program requirements related to specialized field training in epidemiology. Finally, the Foundation stated that its purchases of flash drives as promotional giveaways provided a direct benefit to the sponsored agreement because some of the flash drives contained PowerPoint presentations and other materials made at an HHS-funded conference while other flash drives were embossed with the University’s counseling center’s address and web site. The Foundation stated that the purchase of the flash drives “was one component of the outreach goal described in the approved grant application.”

OFFICE OF INSPECTOR GENERAL RESPONSE

Based on our review of the additional documentation provided by the Foundation, we accepted some of the costs questioned in our draft report, and revised our findings and first recommendation accordingly. However, we maintain that the Foundation’s computer purchases during the last week of—or after the end of—the associated project did not benefit the project

(5U79SM5750203), which ended September 29, 2008.⁶ The budget period extension cited by the Foundation related to a separate project (1U9SM05846701). Regarding its purchase of a laptop computer, we maintain that the purchase did not solely benefit the associated project because the laptop was assigned to a graduate assistant—not to equipment linked to the project.⁷ Regarding the Foundation’s use of flash drives as promotional giveaways, we allowed the costs associated with the flash drives used as outreach for the University’s counseling center. However, the Foundation did not provide adequate documentation to show that the unembossed flash drives directly benefited the project or advance the work under the sponsored agreement.

The Foundation’s comments appear in their entirety as the Appendix.

⁶ After receiving the Foundation’s comments, we verified the project period with the sponsoring agency.

⁷ To be allowable, the laptop should have solely benefited the project. By assigning the laptop to a graduate assistant, the graduate assistant was able to use the laptop for non-project-related purposes.

APPENDIX

APPENDIX: THE FOUNDATION COMMENTS



35 State Street
Albany, New York

Mailing Address:
P.O. Box 9
Albany, NY 12201-
0009
518-434-7061
18-434-8351 (fax)

www.rfsuny.org

September 14, 2011

Mr. James P. Edert
Regional Inspector General for Audit Services
Region II
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, New York 10278

RE: Report Number A-02-11-02000

Dear Mr. Edert:

The purpose of this letter is to respond to the recommendations contained in your report number A-02-11-0200 dated August 17, 2011.

DHHS Recommendation #1:

DHHS recommends that the Foundation refund \$88,910 to the Federal Government.

Research Foundation (RF) Response:

The RF does not concur with this recommendation in the full amount.

The following table identifies the questioned costs that were identified in the draft audit report by type. Of the total amount of the direct costs of \$68,672, the RF disagrees with \$32,256 and agrees with \$36,416.

Type	Amount of Direct Cost	Amount of F&A	Amount of Direct Cost: RF Disagrees	Amount of Direct Cost: RF Agrees
Expenditures did not solely benefit sponsored agreement	46,379	15,079	26,494	19,885
Expenditures for office supplies	3,719	860	350	3,369
Expenditures for promotional giveaway items	4,413	276	3,913	500
For consulting by a University employee	1,499	756	1,499	-0-
Expenditures required no unusual degree of clerical support	4,463	1,135	-0-	4,463
Extra service performed on duties not related to sponsored agreement	8,199	2,132	-0-	8,199
Total	\$68,672	\$20,238	\$32,256	\$36,416

Page 2

We have provided additional documentation to DHHS supporting the RF position on the following questioned costs:

- 1) Expenditures did not solely benefit sponsored agreement - \$26,494
 - **DHHS Position:** Direct costs of \$23,335 were purchased “during the last week of – or after the end of – the associated project period”.
 - **RF Position:** RF provided DHHS with a copy of the “Notice of Award” from the sponsor dated 8/29/08 which extended the budget period to 9/29/11. Therefore, the purchases are within the project period.
 - **DHHS Position:** Direct costs of \$1,290 were for information technology supplies that were not used solely to advance the work under the sponsored agreement.
 - **RF Position:** RF provided DHHS with documentation to indicate that the computer workstation was used exclusively for image acquisition and image processing and is kept within the laboratory in a room dedicated to microscopy and image processing, attached to an Olympus IX-81 microscope and is used solely to advance the work under the sponsored agreement.
 - **DHHS Position:** Direct costs of \$1,869 were for information technology supplies that were not used solely to advance the work under the sponsored agreement.
 - **RF Position:** RF provided DHHS with documentation to indicate that the laptop computer was purchased for the sole use of meeting the program’s requirements for provision of specialized field training in epidemiology and no other computers were available. Therefore, this item is used solely to advance the work under the sponsored agreement.
- 2) Expenditures for office supplies - \$350
 - **DHHS Position:** Direct costs for office supplies should have been treated as F&A expenditures.
 - **RF Position:** RF provided DHHS with documentation to show that this amount was already removed from the grant via a cost transfer on 2/10/09.
- 3) Expenditures for promotional giveaway items - \$3,913
 - **DHHS Position:** Direct costs for flash drives did not contain evidence that these purchases provided a direct benefit to the sponsored agreement.
 - **RF Position:** RF provided DHHS with documentation to show that the flash drives in the amount of \$2,850 contained both PowerPoint presentations and other materials made at an NIH funded conference and flash drives in the amount of \$1,063 were embossed with University at Albany Counseling Center’s address and website so students at risk for substance abuse of suicide could readily access information provided by the Counseling Center. The purchase of the flash drives was one component of the outreach goal described in the approved grant application. Therefore, these purchases did provide a direct benefit to the sponsored agreement.

Page 3

4) Expenditures for consulting by a University employee - \$1,499

- **DHHS Position:** The chief executive officer of a company hired to perform consulting activities was a University employee.
- **RF Position:** The RF provided DHHS with documentation to show that this was not a consultant agreement but was a procurement with an independent software development company to create a computer program to computationally analyze high content data sets. The procurement followed standard RF procedures. There is a faculty member that is one of the founders of the company that provided the computer program but he had no connection with the grant which funded this purchase. Therefore, these are not consulting services performed by a University employee.

DHHS Recommendation #2

DHHS recommends that the Foundation establish adequate controls to ensure consistent compliance with the cost principles applicable to charging administrative, clerical and extra service compensation expenditures to sponsored agreements.

RF Response:

The RF concurs with this recommendation and has planned or has taken the following corrective actions:

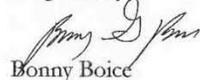
1. At the University at Albany, new guidance documents and procedures informing researchers, administrators and pre and post award offices regarding computer and office supply costs have been prepared and are pending final approval by the University executive administration. Once approved, they will be used to support federal and RF procedures regarding office supplies and computers. These documents will be distributed widely for use by faculty, administrators and the pre and post award offices. A broad training program is being formulated to be implemented in Fall 2011 for all departments and units on the campus.
2. The University at Albany's Purchasing Office staff will be re-trained regarding the monitoring and approval of the purchase of items to insure compliance with OMB A-21 requirements.
3. At the University at Albany, a new procedure guide regarding administrative personnel costs and major projects has been drafted and is pending final approval by the University executive administration. The document also provides a decision tree to assist researchers in identifying those exceptional circumstances where administrative charges can be directly charged to grants. Once approved, it will be used to support federal and RF policies regarding administrative and technical personnel costs. This document will be distributed widely for use by faculty, administrators and the pre and post award offices. A broad training program is being formulated to be implemented starting in the Fall 2011 for all departments and units on campus.
4. The University at Albany procedure on Extra Service compensation is being reviewed and updated.

Page 4

5. At the University at Albany, the campus has revised their processes for reviewing and approving directly charged administrative costs to federally funded awards, including the review of the notice of award documentation, requirement that the PI complete a form to justify administrative costs included in the budget for both salary and non-salary costs and this form must be reviewed and approved by the pre-award office. These forms, if approved, are provided to the respective post-award offices as verification that the review and approval procedure has been followed.
6. The Research Foundation Central Office issued a guidance document in May 2011 to implement a more formal system-wide procedure to identify major programs and document the determination that an award is a major program within the business system application.
7. The Research Foundation Central Office has also completed an Enterprise Risk Assessment process to provide an integrated, continuous, and broad approach for assessing risk data across multiple areas of the enterprise and provides management with the information needed to address risks. Management provides quarterly "Risk Assessment and Corrective Action Plan" reports, which identify risks and how they will be managed. Risks are reported on in five general risk categories – entity level, operational, sponsored program, financial, and information technology. Information about this program is on the RF public web site: www.rfsuny.org

We appreciate your review of the documentation provided on the RF position on questioned costs prior to the issuance of the final audit report. We also thank the audit staff of the DHHS Albany office for their courtesies extended during this audit.

Respectfully,



Bonny Boice
Executive Vice President

c: Kim Bessette
Associate Vice President, Financial Management and Budget
University at Albany

James Dias, Ph.D.
Vice President for Research
University at Albany

Emily Kunchala
Director, Internal Audit
The Research Foundation of SUNY