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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Research Foundation of State University of New York  
Alfred State College  
Alfred, New York**

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**Project Number: NY-16246  
February 2012**

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**Prepared by  
Leon Snead & Company, P.C.**

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February 23, 2012

Appalachian Regional Commission  
Office of the Inspector General  
1666 Connecticut Avenue, N.W.  
Washington, D.C. 20009

Leon Snead & Company, P.C. has completed an audit of grant number NY-16246 awarded by the Appalachian Regional Commission (ARC) to The Research Foundation, The State University of New York (the Foundation). The audit was performed to assist the OIG in carrying out its oversight of ARC grant activities.

The primary objective of the audit was to determine if program funds were managed in accordance with the ARC and federal terms and requirements; grant funds were expended as provided for in the ARC approved budget; internal grant guidelines and internal controls were operating effectively; accounting and reporting requirements were implemented in accordance with generally accepted accounting principles and the goals and objectives of the grant were met.

The audit determined that the Foundation's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. However, we identified an issue regarding the Foundation's conflict of interest policy that should be modified to fully comply with the ARC grant requirements. A detailed discussion of this issue is presented in the "Results of Review" section of the report.

A draft report was provided to the grantee on February 14, 2012 for comment. The Project Manager provided a response to the report on February 20, 2012 addressing our audit recommendations. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the Foundation, its sub-recipient Alfred State College and ARC during the audit.

Sincerely,

*Leon Snead & Company, P.C.*  
Leon Snead & Company, P. C. 11

## **Background**

Leon Snead & Company, P.C. completed a limited scope review of grant NY-16246 awarded by the Appalachian Regional Commission (ARC) to the Research Foundation of State University of New York (the Foundation). The review was made at the request of the ARC, Office of the Inspector General, to assist that office in its oversight of ARC grant funds.

ARC awarded the grant to assist in training construction trade workers to design and build green buildings. Alfred State College (ASC), part of the State University of New York system, had primary responsibility for conducting and completing the grant project. This included having students erect a demonstration home on the ASC Wellsville campus that utilized green building materials and techniques, energy efficient features, and alternative sources of power such as solar, wind, and geothermal. The home was planned to be used for continued training as well as for increasing community awareness of the benefits of green construction techniques. The initial approved grant period was May 1, 2009 to October 31, 2010, but was later extended to end on April 30, 2011. The approved total project budget was \$342,343, which included \$150,000 in Federal funding and \$192,343 in non-Federal matching funding required to be provided by the grantee. The project was completed for a total reported cost of \$404,363, the total \$150,000 in Federal funding was expended and reimbursed to the Foundation, and the grant was closed out by ARC in July 2011.

The Foundation is a private, non-profit 501(c)(3) corporation established in 1951 that supports the advancement of education, research, and discovery at the State University of New York (SUNY). Separate from SUNY, the Foundation is able to form partnerships that enhance SUNY's education and research mission and enhance economic development within New York. The primary service offered by the Foundation is sponsored programs administration through administering agency funds and assisting campuses with establishing affiliated corporations. Sponsored programs are externally funded activities in which a written grant, contract, or cooperative agreement is received from Federal, State, and other sources and administered by the Foundation. For the fiscal year ended June 30, 2010, the Foundation reported \$936 million in total revenues of which \$559 million was from Federal grants and contracts.

## **Objectives, Scope, and Methodology**

The review objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved budget; (3) internal grant guidelines and best practices, including program (internal) controls, were appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the project, the accounting system, and operating procedures. We reviewed financial and other required reports to determine if they were properly supported and submitted timely. We reviewed the costs incurred by the grantee and claimed for reimbursement, which

included a sample of costs to determine if it was properly supported and allowable. All of the Federal funding was used to purchase materials for the project, so we reviewed the purchasing procedures for compliance with the Federal procurement requirements and sound business practices. We reviewed the Foundation and ASC administrative procedures and related internal controls to ensure they were adequate to administer the grant and ARC funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that affected the ARC grant.

The primary criteria used in performing the review were the grant agreement provisions, the applicable Office of Management and Budget Circulars, and the relevant parts of the ARC Code. The review was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed at the ASC office in Alfred, New York, during the period of January 22-26, 2012.

Overall, the Foundation's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. The costs tested were considered reasonable and adequately documented. However, we identified one area that requires management attention to better comply with the federal requirements. This issue and our recommended corrective actions are discussed in the Results of Review section of the report.

## RESULTS OF REVIEW

### A. Standard of Conduct Policy

The grantee was not fully complying with the federal requirements for having a written standard of conduct policy governing employees engaged in the award and administration of contracts (procurements) involving Federal funds. OMB Circular A-110, Section 42, requires grantees to maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts (procurements). The Foundation had a written policy and related disclosure statement that generally reflected the A-110 requirements. One of the policy requirements was that the disclosure statement must be completed by principal investigators (PIs) and Co-PIs when applying for funds from a federal agency that requires completion of a disclosure statement; or if they have not filed a disclosure statement (SUNY II form) in conformance with the SUNY conflict of interest policy.

We determined that the federal standard was not fully met on the ARC grant for two reasons. First, the current Foundation written policy does not fully encompass the federal requirement since it only applies to the PIs rather than all personnel involved with the procurement award and administration. The ASC procedures followed in making purchases with ARC funds involved other personnel in addition to the PI. The PI was initiating the purchases; however, the requisition forms, purchase orders, and eventual vendor payments on the grant were being reviewed and approved by the ASC purchasing director and/or the dean of research services. Although this additional review and approval is considered a good internal control, their involvement makes these individuals subject to the A-110 requirements. Accordingly, the Foundation's policy needs to be revised to include all parties, not just PIs.

Second, the PI on the ARC grant had not completed either the Foundation's disclosure statement or SUNY II form, as required under the Foundation's policy during the period covered by the grant. He stated that he was not aware of the requirement and did not recall being requested to complete a disclosure statement.

### Recommendations

The Foundation should:

1. Revise its conflict of interest policy to require all individuals, who are substantially involved in awarding and administering procurements under ARC grants, to complete the disclosure statements.
2. Implement procedures to ensure that the individuals subject to the conflict of interest policy are aware of the requirements and that the required disclosure statements are completed and filed.

### **Grantee Response**

Alfred State is not able to revise the Research Foundation's Conflict of Interest Policy. However, Alfred State will require all individuals who are substantially involved in awarding and administering procurements under federal grants to complete annual disclosure statements.

Alfred State is in agreement with this recommendation and has implemented the following procedures.

Before, submitting any grant proposal, institutional approval must be granted. This requires completion of the College's Institutional Approval Coversheet and Checklist (attached). On this form, the PI must sign that s/he has no potential conflict of interest involved in this proposal. Further, all PI's and those involved in awarding and administering procurements under any federal grants will be required to complete the Research Foundation's Disclosure Statement annually (attached). The forms will be distributed by and maintained in the Office of Sponsored Programs.

### **Auditor's Comments**

The grantee's response addressed the recommendation adequately and they should be closed out at this time.

**Appendix I  
Grantee Response**



Mr. Snead,

Attached is our response. Thank you and if anything further is needed, please let me know.

1. Alfred State is not able to revise the Research Foundation's Conflict of Interest Policy. However, Alfred State will require all individuals who are substantially involved in awarding and administering procurements under federal grants to complete annual disclosure statements.
2. Alfred State is in agreement with this recommendation and has implemented the following procedures.

Before, submitting any grant proposal, institutional approval must be granted. This requires completion of the College's Institutional Approval Coversheet and Checklist (attached). On this form, the PI must sign that s/he has no potential conflict of interest involved in this proposal. Further, all PI's and those involved in awarding and administering procurements under any federal grants will be required to complete the Research Foundation's Disclosure Statement annually (attached). The forms will be distributed by and maintained in the Office of Sponsored Programs.

Nancy B. Shearer  
Dean of Research Services  
Alfred State College  
Alfred, NY 14802

Phone: (607)587-3959  
Fax: (607)587-3206

**Sponsored Program Proposal Development  
Institutional Approval Coversheet and Checklist**  
Grants Services, x3959

PI name	PI department	PI phone #	PI e-mail	Date

**Title and brief description of proposed project:**

**Name and contact information for funding agency (attach RFP, if available):**

CFDA# (required for Federal grants only):

External submission deadline (to ensure on-time submission, institutional approval process should be initiated 10 working days prior to external submission deadline):

Electronic submission required?

Does this proposal involve...	N	Y	If yes, then....	Approved
human subjects			If funded, submit appropriate approval form	
animal subjects			If funded, submit appropriate approval form	
cost sharing			Indicate source of funds and approval	
waiver of IDC			Approval required	
construction or renovation of facilities			Approval required	
reassignment of college personnel			Secure written approval of supervisor	
possible conflict of interest			Disclose possible conflict of interest	
hazardous materials			Secure approval of college safety officer	
collaborations with off-campus entities			Attach written authorization of partner	

**P.I. Certification:** As a principal or co-principal investigator/project director, I certify that I have no potential conflict of interest involved in this proposal that may affect, or be perceived to affect, the results of the project proposed, that I am not delinquent on any Federal debt, such as student loans, etc. (this does not include income taxes), that I am not currently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from current transactions by a Federal department or agency, and that I accept responsibility for the conduct of the project and will provide the required reports if an award is made as a result of this application.

	Signature	Date
PI/PD		
Co PI/Co PD		

**Administrator Approval:** I have reviewed the attached proposal and find it in accord with the capabilities and priorities of my area. By my signature I am committing the resources under my control as specified in the proposal.

	Signature	Date
Chair		
Dean or V.P.		
V.P.		
V.P.		

<b>Routing and tracking (for internal use only)</b>	ASC project #:
Date proposal submitted to funding agency:	
PR/Agency award #:	Grants.gov tracking #:
RF/SUNY PTA #:	Project # Task#



## Disclosure Statement

for certain Research Foundation officers or employees\*  
upon application for federal funds

\*As defined in the Conflict of Interest Policy

Name	
Title of Position	
Campus	Department

Use additional sheets if necessary.

1. List any office, trusteeship, directorship, partnership or position of any type, whether or not compensated, held by you or your spouse or dependent children with any firm, corporation, association, partnership or other organization other than the Research Foundation State University, or State of New York. **DO NOT LIST THE AMOUNT.**

Report those affiliations held by you, your spouse, or your dependent children that would reasonably appear to affect or be affected by the research or educational activities funded or proposed for funding by the sponsor and that produce annual compensation greater than \$10,000.

<u>Self/Spouse/ Dependent Children</u>	<u>Name of Organization and Address</u>	<u>Position</u>	<u>Description</u>
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2. List name and describe the nature and source of any current employment or occupation of spouse and dependent children.

Report only that employment that would reasonably appear to be affected by the research or educational activities funded or proposed for funding by the sponsor and that produces annual compensation greater than \$10,000.

<u>Name</u>	<u>Source</u>	<u>Nature</u>
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THE RESEARCH FOUNDATION  
*The State University of New York*

3. List the name of warrants or stocks and other investment interests, including any interests in limited or general partnerships owned by you, your spouse, or your dependent children at time of filing for federal funding. **DO NOT LIST AMOUNTS.**

Report only those interests that would reasonably appear to be affected by the research or educational activities funded or proposed for funding by the sponsor and that are valued at greater than \$10,000.

Self/Spouse

Dependent Children

Issuing Entity

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I declare that the above information is true and correct.

Signature \_\_\_\_\_

Date \_\_\_\_\_