



State University Construction Fund The State University of New York

Use of State Funding for Research into
Emerging Technologies at the State
University of New York at Albany:
Life Sciences

2010-S-5



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of State Government Accountability

June 17, 2010

Nancy L. Zimpher, Ph.D.
Chancellor
The State University of New York
State University Plaza
Albany, NY 12246

Mr. Phillip W. Wood
General Manager
State University Construction Fund
353 Broadway
Albany, New York 12246

Dear Chancellor Zimpher and Mr. Wood:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit addressing the *Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Life Sciences*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York
Office of the State Comptroller
EXECUTIVE SUMMARY

Audit Objective

Our objective was to determine whether the State University Construction Fund and the State University of New York spent State funds provided for life sciences research at the State University of New York at Albany in a manner that complied with all applicable terms and conditions placed on the funding.

Audit Results - Summary

The Life Sciences Research Building at the State University of New York at Albany (University) is a 194,000 square foot building with 28 separate laboratories, a greenhouse with two distinct climates, and an auditorium where every seat is wired for power and data. During the 1998-99 through 2005-06 fiscal years, the State provided \$66.3 million in funding to design, construct and equip this building, of which about \$57.6 million had been expended as of August 31, 2009.

The Life Sciences Research Building received support from four separate funding sources. At the time of our audit, one of these funding sources had no expenditures. The State University Construction Fund (Fund) and the University were responsible for the expenditures against the other three funding sources, including complying with any terms and conditions placed on the funding by the Legislature. We found that the Fund had spent the money on the design and construction of the Life Sciences Research Building and that the University had spent the money to purchase equipment for that building.

This report, dated June 17, 2010, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

Introduction

Background

New York State has identified a number of emerging technologies that State resources will be devoted to. By developing research and development facilities throughout the State, especially at private and public colleges and universities, the State intends to develop these emerging technologies to encourage the creation of new high quality, well paying jobs.

The State University of New York at Albany (University) has been identified as a center for three different areas of emerging technologies: Nanotechnology, Cancer Genomics, and Life Sciences. Nanotechnology involves working with atoms to develop materials and devices that are 100 nanometers (one-billionth of a meter) or smaller. Cancer Genomics is the study of the genes and mutations that cause a cancer cell to develop within the body. Life sciences involve advanced research within the fields of biology and chemistry. Our review of the State funding for Nanotechnology research is contained in Report 2010-S-4, Fuller Road Management Corporation & The Research Foundation of the State University of New York, Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Nanotechnology. Our review of the State funding for Cancer Genomics research can be found in Report 2010-S-6, The Research Foundation of the State University of New York & The University at Albany Foundation, Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Cancer Genomics.

Life sciences research is conducted at the University's main campus. The cornerstone of this research is the Life Sciences Research Initiative, located in the Life Sciences Research Building. The ultimate goal of the Life Sciences Research Initiative is to encourage research in the life sciences and to contribute to the development of biotechnical and biomedical sciences industries in the Capital Region. The Life Sciences Research Building is a 194,000 square foot building with 28 separate laboratories, a greenhouse with two distinct climates, and an auditorium where every seat is wired for power and data.

In the annual budgets enacted between Fiscal Year 1998-99 and Fiscal Year 2005-06, the State Legislature provided \$66.3 million in funding for life sciences research conducted at the University. All of this funding was directed to the State University Construction Fund (Fund). As is standard practice for the Fund, the University was made responsible for equipment acquisitions for this building. The Fund and the University were responsible for spending the money and for complying with any terms and conditions placed on the funding by the Legislature.

As of August 31, 2009, \$57.6 million of the \$66.3 million had been spent for capital construction and equipment purchases. In total, there were four separate appropriations of which we reviewed three in detail. The remaining appropriation had no expenditures at the time of our audit work. The three appropriations with expenditures totaled \$64.3 million, of which \$57.6 million was spent as of August 31, 2009.

**Audit
Scope and
Methodology**

We audited how the State money provided for research into and development of life sciences by the University was spent to determine what was purchased with that money. We also verified that the entities responsible for administering the State money complied with all terms and conditions placed on that money. We did not look at what the money was anticipated to accomplish, such as job creation or retention or business development, as such outcomes were outside of our audit scope. Our audit covers the State funding provided between April 1, 1998 and August 31, 2009.

To accomplish our objective, we reviewed the annual State budgets for Fiscal Year 2000-01 through Fiscal Year 2008-09 to identify all appropriations directed to the University. We also inquired with Fund and State University of New York officials about all appropriations and grants received for emerging technologies. We interviewed officials and staff of the various entities involved in providing or receiving State money for emerging technologies. We reviewed contracts to determine what the State funding was supposed to be used for and what conditions, if any, were placed on that funding. We reviewed supporting documentation for various expenditures. Where it was not feasible to review the supporting documentation for all purchases made against a particular appropriation, we judgmentally selected a sample.

We conducted our 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 findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under

generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

We provided a draft copy of this report to officials from the Fund and the State University of New York. Their comments were considered in preparing this report and are included in their entirety at the end of the report.

Contributors to the Report

Major contributors to this report include Frank Houston, John Buyce, Ed Durocher, Jennifer Paperman, Nick Angel, Kelly Evers Engel, and Jill McGraw.

Audit Findings

Projects Funded

The State provided four separate appropriations to design, construct, and equip the Life Sciences Research Building. In total, there was \$66.3 million for this project, of which \$57.6 million had been spent through August 31, 2009.

For three of these four appropriations, we determined the terms and conditions placed on the State funding, including what the money could be spent on. We then verified that the University and the Fund complied with these terms and conditions. No expenses had yet been charged against the fourth project. Overall, we found that the State funding had been spent as intended: to construct and equip the Life Sciences Research Building.

Design

The Fund expended \$5.1 million on the design of the Life Sciences Research Building. The Fund awarded a contract for the design work through its standard procurement process and was responsible for overseeing the work. We reviewed a sample of the expenditures against this contract and found that the Fund had spent the money on costs related to designing the Life Sciences Research Building at the University.

Construction

The Fund expended \$45.2 million on the construction of the Life Sciences Research Building. The Fund awarded a contract for the construction work through its standard competitive bidding process and was responsible for overseeing the work. The Fund has spent the entire \$45.2 million provided by the State. We reviewed a sample of the expenditures against this contract and found that the Fund had spent the money on costs related to construction of the Life Sciences Research Building at the University.

Equipment

The Fund received \$14 million in funding for purchasing equipment for the Life Sciences Research Building. The Fund, in accordance with its normal procedures, made the University responsible for overseeing the acquisition of the equipment. As of August 31, 2009, the University had spent \$7.3 million of the \$14 million made available to it. As the University attracts new researchers, officials expect to identify additional equipment needs that will be met from the remaining State funding. We reviewed a sample of the purchases made so far and found that the University had spent the money

on costs related to equipping the Life Sciences Research Building at the University.

Addition to Building

The State has provided \$2 million to support the construction of an addition to the Life Sciences Research Building. At the time of our review, this money had not yet been expended.

Agency Comments



STATE UNIVERSITY CONSTRUCTION FUND

H. Carl McCall, Chairman
Eugene K. Tyksinski, Member
David E. Ourlicht, Member

May 14, 2010

Mr. Frank J. Houston
Audit Director
Division of State Government Accountability
Office of the State Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Re: Response to the Audit Report 2010-S-5 - State University Construction Fund
The State University of New York - Use of State Funding for Research into Emerging
Technologies at the State University of New York at Albany: Life Sciences

Dear Mr. Houston:

On behalf of the State University Construction Fund (SUCF) and the State University of New York at Albany, I want to thank the Office of the State Comptroller for the professional and thorough audit of the State funding provided to SUCF. I appreciate the Office of the State Comptroller's acknowledgement that the State funding was spent as intended.

Thank you for the opportunity to provide comments on the report. Please contact me if you have any questions.

Sincerely,

Philip Wood
General Manager
State University Construction Fund

Copy: Chancellor Zimpher
President Philip
Ms. Rimai
Mr. Abbott
Mr. Beditz
Mr. Schafer

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