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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

April 18, 1997

Dr. John W. Ryan  
Chancellor  
State University of New York  
State University Plaza  
Albany, NY 12246

Re: Report 96-F-32

Dear Dr. Ryan:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the Research Foundation of the State University of New York (Research Foundation) as of March 24, 1997, to implement the recommendations included in our prior audit report 93-S-64. Our prior report, issued December 31, 1993, examined controls over direct expenditures for research and sponsored activities within the Research Foundation.

**Background**

The Research Foundation was chartered in 1951 by the Board of Regents as a private, non-profit educational corporation. The purpose of the Research Foundation is to expand the educational mission of the State University of New York (SUNY) through fund raising, to administer gifts and grants, and to promote and administer externally-sponsored research. The Research Foundation operates branches at each of SUNY's State-operated campuses, with a corporate headquarters in Albany.

The Research Foundation is responsible for the fiscal management and administration of all SUNY research and research related programs. The major functions related to the management of sponsored program funds include the employment of research and other personnel, the purchase of equipment and supplies, and the disbursement of funds for other approved purposes such as rentals, computer services and travel. Administrative functions include controlling and accounting for expenditures, preparing periodic reports, conducting internal audits, providing banking services, and managing cash flow investments.

## **Summary Conclusions**

Our prior audit found that while costs submitted by some subcontractors were adequately supported, reasonable and appropriate, some costs submitted by other subcontractors were not. Our report contained recommendations requesting that the Research Foundation investigate potential over-billings and conduct periodic audits of subcontractors. In our follow-up review, we found that the Research Foundation has made progress in implementing the recommendations contained in our prior audit report.

## **Summary of Status of Prior Audit Recommendations**

Of the three prior audit recommendations, the Research Foundation has fully implemented two recommendations and has not implemented one.

## **Follow-up Observations**

### **Recommendation 1**

*Investigate potential over-billings identified in this report. Recover over-billed amounts, where appropriate.*

Status - Not Implemented

Agency Action - The Research Foundation officials, in their comments to our prior audit report 93-S-64, stated that they were in the process of investigating the potential over-billings and would take steps to recover any actual over-billings. However, during our follow-up we did not find any evidence indicating that action has been taken.

Auditor Comments - We believe that it is essential for the Research Foundation to investigate potential over-billings identified in our prior audit, and recover over-billed amounts, where appropriate.

### **Recommendation 2**

*Conduct periodic audits of subcontractors.*

Status - Fully Implemented

Agency Action - The Research Foundation has conducted audits of six subcontractors' cash receipts and expenditures covering the period July 1, 1991 through November 30, 1995. They are in the process of starting another audit of subcontractors.

**Recommendation 3**

*Recover the \$67,751 advance payment from the subcontractor and ensure that regional locations comply with policies and procedures related to advance payments.*

Status - Fully Implemented

Agency Action - The Research Foundation has recovered the overpayment from the subcontractor. The Research Foundation has conducted audits and continues to conduct audits which address subcontractors' compliance with established policies and procedures.

Major contributors to this report were Marvin Loewy, Martin Chauvin, and James Obeng.

We would appreciate your written response to this report within 30 days, indicating any additional action you have planned or have taken to address the unresolved matters discussed in this report. We wish to thank the management and staff of the Research Foundation for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Patricia A. Woodworth