

**Georgia Institute of Technology/Georgia Tech Research Corporation
A-133 Coordinated Audit
Schedule of Findings, Recommendations, Questioned Costs,
and Corrective Action Plans
Year Ended June 30, 2005**

**Georgia Institute of Technology/Georgia Tech Research Corporation
A-133 Coordinated Audit
Schedule of Findings, Recommendations, Questioned Costs,
and Corrective Action Plans
Year Ended June 30, 2005**

March 10, 2006

Joel E. Hercik, Associate Vice President
Financial Services
Georgia Institute of Technology
Atlanta, Georgia

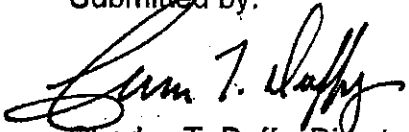
This report has been prepared to present the findings, recommendations, and questioned costs as identified in the audit reports covering services performed for Georgia Institute of Technology/Georgia Tech Research Corporation as part of the OMB Circular A-133 Coordinated Audit for the year ended June 30, 2005.

The FY 2005 A-133 Coordinated Audit incorporated the work of two auditors as identified below:

1. Grant Thornton, LLP, Certified Public Accountants
2. Department of Audits of the State of Georgia

Page three of this report describes the specific audit coverage provided by each auditor, and the balance of the report describes the individual findings, recommendations, and questioned costs identified in each report for the year ended June 30, 2005. In addition, the report provides a description of the corrective action plans for FY 2005 findings and the status of each corrective action plan for FY 2004.

Submitted by:



Charles T. Duffy, Director
Grants & Contracts Accounting

Georgia Institute of Technology/Georgia Tech Research Corporation
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FY 2005 A-133 Coordinated Audits Performed

1. Financial Statements of Georgia Institute of Technology
 - Audit performed by the Department of Audits of the State of Georgia
 - See findings included in this report.

2. Financial Statements of Georgia Tech Research Corporation/Georgia Tech Applied Research Corporation
 - Audit performed by Grant Thornton, LLP, Certified Public Accountants
 - See findings included in this report

3. A-133 Compliance Requirements
 - Audit performed by Grant Thornton, LLP, Certified Public Accountants
 - Compliance Requirements
 - A. Activities Allowed or Unallowed
 - B. Allowable Costs/Cost Principles
 - C. Cash Management
 - D. Davis-Bacon
 - E. Eligibility
 - G. Matching, Level of Effort, Earmarking
 - H. Period of Availability of Funds
 - J. Program Income
 - L. Reporting
 - M. Subrecipient Monitoring
 - N. Special Tests and Provisions
 - See findings included in this report

4. A-133 Compliance Requirements
 - Audit performed by the Department of Audits of the State of Georgia
 - Compliance Requirements
 - F. Equipment and Real Property
 - I. Procurement and Suspension
 - K. Real Property Acquisition and Relocation
 - See findings included in this report

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**Summary Schedule of Findings, Recommendations and Questioned Costs
Current Year**

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Status of FY 2004 Prior Year Findings and Questioned Costs

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GT 04-2	Finding Control Number: FA-503-04-04	Corrective Action Plan Implemented
GT 04-3	Finding Control Number: FA-503-04-05	Corrective Action Plan Implemented
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GT 04-5	Finding Control Number: FA-503-04-07	Corrective Action Plan Implemented
DCAA 04-1	Finding Control Number: FA-503-04-07	Corrective Action Plan Implemented

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Current Year

Department of Audits of the State of Georgia

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

05-2 Finding Control Number: FS-503-05-01

Condition: Georgia Institute of Technology did not adequately monitor their Sponsored Projects, which resulted in funds due the Institute becoming uncollectible. These uncollectible amounts for certain Sponsored Projects in Restricted funds were funded by General Operations (Resident Instruction Fund and Other Organized Activities Fund).

Criteria: The, Board of Regents of the University System of Georgia's Business Procedures Manual, Section 10.4.1 (4), as revised, requires that uncollectible accounts must be identified by fund and that "fund integrity must be maintained at all times with regard to the uncollectible accounts". Section 10.4.3 also states "federal receivables resulting from contract or grant activity are to be considered, for write-off purposes, as disallowed charges. The funding source for disallowed charges is indirect cost recoveries (revenue)."

Questioned Cost: N/A

Information: An examination disclosed that \$541,516.92 was reimbursed by the Resident Instruction and Other Organized Funds to fund uncollectible Sponsored Project accounts receivable.

Cause: Management at Georgia Institute of Technology failed to adequately monitor charges to and collections of certain Sponsored Projects within the Restricted Funds of the Institute.

Effect: As a result of the weaknesses identified, certain Sponsored Projects reflected accounts receivable which were uncollectible due to inadequate collection procedures and/or disallowed charges. These uncollectible amounts were funded by the General Operations (Resident Instruction Fund and Other Organized Activities Fund) of the Institute. However, the funding source for these uncollectibles should be the Indirect Cost Recoveries Fund.

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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

05-2 Finding Control Number: FS-503-05-01 (Continued)

Recommendation: Institute management should strengthen controls to ensure that charges against Sponsored Projects are made in a timely manner to facilitate prompt billing. Also, accounts receivable related to these charges should be closely monitored to ensure proper collection from Sponsors.

Management Response: Institute management concurs with the audit recommendation that the Institute needs to strengthen controls to ensure that charges against Sponsored Projects are made in a timely manner to facilitate prompt billing and collection of funds from sponsors. In addition, additional improvements in Accounts Receivable monitoring procedures need to be implemented. Specific action steps to be taken to address these needs are described below:

1. Continue new activities implemented during the last year that included the following three major actions:
 - Increased reporting to campus units concerning sponsored projects that have term dates during the next 90 days and 30 days to encourage corrective action when needed to complete all sponsored activities and/or to complete all required expenditures prior to the end of the agreements.
 - New "Expenditure Rate Reporting" procedures with a "Burn Chart" that match actual expenditures on Sponsored projects to estimated project budget by month.
 - Sponsored Project Accounts Receivable quarterly monitoring procedures to identify instances where action is needed to assure timely collection of funds.
2. Complete utilization of new procedures that prohibit salary cost transfers to sponsored projects requested over 150 days after payment.
3. Enhance the information presented in Grants and Contracts Accounting Office and Office of Sponsored Programs training programs about the importance of recording charges against Sponsored Projects in a timely manner to facilitate prompt billing and collection activities for sponsored Project.

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Department of Audits of the State of Georgia
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
EQUIPMENT AND REAL PROPERTY MANAGEMENT
Failure to comply with Federal Property Management Standards
05-12 Finding Control Number: FA-503-05-01

- Condition: Georgia Institute of Technology's management did not follow Federal property disposition guidelines with respect to disposition of property/equipment purchased with Federal funds where title vests with the Institution, and when required by the grant agreement or the Federal awarding agency.
- Criteria: On property that the Institute is required to account for and dispose of in accordance with specific grant agreements or Federal awarding agency guidelines, the Institute's equipment records must include, but not limited to, the condition of the equipment and appropriate disposition data.
- Questioned Cost: N/A
- Information: Our inquiry of the Institute's management and examination of equipment records revealed that controls were not in place to identify and assure compliance with Federal regulations or terms of specific grant agreements related to the disposition of equipment. Our testing of Federal awards noted that the Institute purchases equipment that is considered exempt property (title vests with the Institute) according to Federal regulations or terms of the agreement. This relieved the Institute of Federal regulations in the disposal of property when there are no additional conditions in the grant award at the conclusion of the respective grant agreement. However, it was also noted that in some instances the Federal regulations and/or the specific terms of grant agreements contain additional conditions requiring the Institute to account for and dispose of such equipment during and after the grant period in line with Federal regulations if so directed by the Federal awarding agency.
- Cause: Management failed to have an appropriate procedure in place to ensure that dispositions of exempt property were properly handled in accordance with Federal guidelines when required by Federal grant agreement or by the Federal awarding agency.
- Effect: The Institute did not properly account for and dispose of exempt property in compliance with Federal guidelines when required to by terms of the grant or the Federal awarding agency.

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Department of Audits of the State of Georgia

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

EQUIPMENT AND REAL PROPERTY MANAGEMENT

Failure to comply with Federal Property Management Standards

05-12 Finding Control Number: FA-503-05-01 (Continued)

Recommendation: Institute's management should establish and implement controls to ensure that inventory records for equipment acquired with Federal funds comply fully with Federal regulations, conditions of specific grant agreements or Federal grantor agency guidelines, whichever is applicable.

Management Response:

Management concurs that there is a need to establish and implement controls to ensure that equipment acquired with Federal funds is managed in accordance with specific grant agreements or Federal grantor agency guidelines, whichever is applicable.

While existing policies and procedures provide for proper accounting for equipment acquired with Federal funds when title is to be retained by the sponsor and for equipment acquired with Federal funds when title is to be held by the Institute under the exempt property standards, existing procedures do not address instances when Federal agencies award title to the Institute, but retain control over transfers and/or disposition of the equipment.

Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that equipment acquired with Federal funds is accounted for in accordance with applicable requirements.

1. Work will be initiated with the Office of Naval Research, the Institute's cognizant Federal agency, to determine if it would be acceptable for the Institute to establish procedures to have all equipment classified as either sponsor owned equipment or Institute owned equipment and exempt property upon acquisition, without further obligation to the Federal Government. The Institute would not accept awards with proposed equipment acquisitions from Federal agencies with provisions that require the recipient to take title to equipment subject to special provisions after purchase.

2. Should it not be possible to obtain Office of Naval Research approval of the procedure outlined above, work will be outlined to provide for a new category of equipment with title held by the Institute, subject to special sponsor requirements. Upon or prior to termination of all projects identified with special equipment disposition instructions, GIT will forward a request to the appropriate Federal agency requesting that title to all equipment purchased under the individual agreement be retained by GIT without further obligation to the Federal Government. Final disposition will be made in accordance with the approval or disapproval of these individual requests.

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Grant Thornton, LLP A-133 Compliance Requirements

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

GT 05-1 Failure to Monitor Sponsor/Grantor Receivables (Finding Control Number: FA-503-05-03)

Finding No. GT 05-1 Failure to Monitor Sponsor/Grantor Receivables

Statement of Condition

While performing procedures related to accounts receivable, we observed that there are some receivables where the sponsor/grantor cannot be identified. The discrepancy appears to be isolated to receivables related to contracts transferred to the Research Corporation as part of the acquisition of the Institute of Paper Science and Technology by Georgia Institute of Technology on July 1, 2004. The Research Corporation has an allowance for doubtful accounts that is adequate to fully reserve these accounts.

Criteria

The Research Corporation should identify all sponsor/grantor receivables.

Effect

Unidentified sponsor/grantors could potentially affect the accuracy of the schedule of federal expenditures.

Cause

The unidentified sponsors/grantors result from incomplete information (i.e. grant assignment and project code) relating to these costs being transferred to the Research Corporation.

Recommendation

We recommend that the Research Corporation continue its efforts to identify the sponsor/grantors and collect the amounts due to the Research Corporation.

Questioned Cost

None.

Management Response

Management concurs with the recommendation that it should continue its efforts to identify the sponsors/grantors and collect amounts due to the Georgia Tech Research Corporation. Action in this regard will be completed on or before December 31, 2006.

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Grant Thornton, LLP A-133 Compliance Requirements

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING

GT 05-3 Progress/Special Reports Not Submitted, Not Submitted on Time, Or Submitted with Missing Components (Finding Control Number: FA-503-05-04)

Finding No. GT 05-3 – Progress/Special Reports Not Submitted, Not Submitted on Time, Or Submitted with Missing Components

See Exhibit 05-3 for a listing of agency names, contract numbers and CFDA numbers associated with this finding.

Statement of Condition

Numerous progress/special reports required by grant and contractual agreements entered into by GTRC and GIT with various Federal agencies were not submitted, not submitted on time, omitted certain components or were not authorized by a proper official as specified in the grant and contractual agreements.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3.L requires recipients to submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period.
- Reasons why established goals were not met, if appropriate.
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

In addition, the grant award may require additional performance reporting requirements.

Effect

The submission of inadequate, incomplete or untimely reports could result in the possible delay of other projects which are related to GTRC and GIT grants and contracts.

Cause

The cause of inadequate, incomplete or untimely reports, as stated to us, was the unavailability of data at the report due date necessary for the completion of the required reports.

Recommendation

Efforts should be made by GTRC and GIT to ensure that all contractual deliverables include the required components, are authorized by the proper personnel, and are submitted to the contracting agencies by the specified due dates.

Questioned Cost

None.

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Grant Thornton, LLP A-133 Compliance Requirements

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING

GT 05-3 Progress/Special Reports Not Submitted, Not Submitted on Time, Or Submitted with Missing Components (Finding Control Number: FA-503-05-04) (Continued)

Management Response:

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that all required contractual deliverables are submitted to the contracting agencies in a timely fashion:

1. Study the findings identified in this report and notify each Project Director, Department Head and Unit Financial Officer that their report was identified as a finding in the Annual A-133 Audit report as having been Filed Late, Not Filed, or Not completed properly.
2. Publish information that OSP has expanded its capability to provide a list of all project deliverable information to each PD/PI and all levels of management within a unit via a web-based query tool.
3. Publish information about the fact that the full grant/contract documents and associated terms & conditions for each sponsored award are available as a scanned file using our web-based contract information system to all Project Directors and Campus Officers.
4. Enhance the information presented in Office of Sponsored Programs training programs about the importance of submitting all Project Deliverables accurately and on time.
5. Continue to make available Upcoming Deliverables Due and Overdue Deliverables Lists for all sponsored research projects. This report is made available to members of upper administration, including Deans, School Chairs and Lab/Center Directors, as well as all Project Directors.

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Grant Thornton, LLP A-133 Compliance Requirements
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
REPORTING

GT 05-3 Progress/Special Reports Not Submitted, Not Submitted on Time, Or Submitted with Missing Components (Finding Control Number: FA-503-05-04) (Continued)

Exhibit 05-3 –Listing of Progress/Special Reports Not Submitted, Not Submitted on Time, Or Submitted with Missing Components

Agency	CFDA Number	Cluster / Major Program	Pass-Through Grantor / Program Title	Contract Number	Ref. Number	Report Type	Date Due	Date Mailed
NASA	43.OFA	R&D		NAG5-13515	R4505	Summary of Research	4/30/2005	8/29/2005
Defense	12.OFA	R&D		MDA904-03-C-0471	R4808	A003 - Status Reports	1/20/2005	Not Submitted
NSF	47.049	R&D	Mathematical and Physical Sciences	DMR-9733160	R1043	NSF Form 1328 - Annual Grant Progress Report	2/1/2005	Not Submitted
Commerce	11.460	R&D	Special Oceanic and Atmospheric Projects	NA03OAR4600100	R4623	Semi-Annual Performance Report	1/31/2005	Not Submitted
NSF	47.076	EHR	Education and Human Resources	DGE-0333411	R4855	Annual Report	7/31/2004	2/15/2005
NSF	47.076	EHR	Education and Human Resources	DGE-0333411	R4855	Annual Report	5/12/2005	Not Submitted
NSF	47.076	EHR	Education and Human Resources	DGE-0221600	R4254	Annual Project Report	8/30/2004	Not Submitted
DOE	84.OFA	R&D	U.S. Department of Education	H133A000405	T5917	Annual Progress Report	10/31/2004	2/28/2005
DOD	12.OFA	R&D	Mission Res Corp	SC-SP46-00-0003	A6488	Interim DD Form 882 Initial Interim Invention Report	12/1/2004	Not Submitted
Transportation	20.OFA	R&D	University of Michigan	3000389610	A7314	Summary Project Report Final and Functional Requirement Final	1/4/2005	Not Submitted
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-96ER54350	R8804	Technical Progress Report	12/31/2004	Not Submitted
Energy	81.OFA	R&D	Oak Ridge National Laboratory	4500010071	R1715	Progress Report	5/10/2005	Not Submitted
NSF	47.046	EHR	Education and Human Resources	HRD-9817632	V5018	Annual Progress Report	4/15/2005	Not Submitted
Education	84.133	NDRR	National Institute on Disability and Rehabilitation Research	H133E030035	T6241	Annual Progress Report	1/31/2005	Not Submitted
Education	84.133	NDRR	United Cerebral Palsy	AGMT981001	T5743	Monthly Progress Report	8/18/2004	Not Submitted
Education	84.133	NDRR	United Cerebral Palsy	AGMT981001	T5743	Monthly Progress Report	9/18/2004	Not Submitted
EPA	66.509	R&D	Science to Achieve Results (STAR) Research Program	RD-83107601	R4799	Annual Report	12/31/2004	8/8/2005
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-97ER14799	R0679	Continuation Progress Report	3/3/2005	4/19/2005
NSF	47.041	R&D	Engineering Grants	BES-0093830	R2983	Annual Report	1/30/2005	2/7/2005
Air Force	12.800	R&D	Air Force Defense Research Sciences Program	F33615-98-C-1341	R1162	A002-Status Report	11/25/2004	2/14/2005
NIH	93.856	R&D	Microbiology and Infectious Diseases Research	1U01 AI56503-01	R4971	Final Project Report	12/29/2004	Not Submitted
NIH	93.856	R&D	Microbiology and Infectious Diseases Research	1U01 AI56503-01	R4971	Form HHS 568 Final Invention Statement and Certification	12/29/2004	Not Submitted
NSF	47.041	R&D	Engineering Grants	DMI-0223364	R4001	Final Report	5/31/2005	Not Submitted
DOE	84.133	NDRR	National Institute on Disability and Rehabilitation Research	H133D010207	T5979	Annual Report	11/30/2004	12/23/2004
NSF	47.076	EHR	Education and Human Resources	EHR-0314953	Y0001	Annual Progress Report	7/1/2004	8/28/2004
NSF	47.076	EHR	Education and Human Resources	DUE-0210644	R3772	Annual Project Report	5/31/2005	Not Submitted
EPA	66.509	R&D	Science to Achieve Results (STAR) Research Program	RD-83107601	R4799	EPA MBE/WBE Utilization Report	10/30/2004	Not Submitted
DHHS	93.583	R&D	University of Pennsylvania	5-41352	R5145	Final Performance Report	9/30/2004	Not Submitted
NSF	47.070	R&D	Computer and Information Science and Engineering	CCR-0104494	R3183	Annual Performance Report	5/31/2005	Not Submitted
DOD	12.800	R&D	Anteon Corp	0A7662000	R2287	Final Report	5/31/2005	Not Submitted
GSA	39.OFA	R&D	General Service Administration	0A7150000	A7150	Final Plan Report	9/30/2004	Not Submitted

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Grant Thornton, LLP A-133 Compliance Requirements

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
REPORTING

GT 05-4 Financial Reports Not Submitted, Not Submitted on Time, Or Submitted With Missing Components
(Finding Control Number: FA-503-05-05)

Finding No. GT 05-4 – Financial Reports Not Submitted, Not Submitted on Time, Or Submitted With Missing Component

See Exhibit 05-4 for a listing of agency names, contract numbers and CFDA numbers associated with this finding.

Statement of Condition

Numerous financial reports required by grant and contractual agreements entered into by GTRC and GIT with various Federal agencies were not submitted or not submitted on time as specified in the grant and contractual agreements.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3.1 requires recipients to use the standard financial reporting forms or such forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis as prescribed by the Federal awarding agency. If Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of prescribed forms.

Effect

The submission of inadequate, incomplete or untimely reports could result in the possible delay of other projects which are related to GTRC and GIT grants and contracts.

Cause

The cause of inadequate, incomplete or untimely filing, as stated to us, was the unavailability of data at the report due date necessary for the completion of the required reports.

Recommendation

Efforts should be made by GTRC and GIT to ensure that all contractual deliverables include the required components, are authorized by proper personnel, and are submitted to the contracting agencies by the specified due dates.

Questioned Cost

None.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING

GT 05-4 Financial Reports Not Submitted, Not Submitted on Time, Or Submitted With Missing Components
(Finding Control Number: FA-503-05-05)

Management Response

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that all required Financial Reports are submitted in a timely fashion:

1. Study the findings identified above and notify each Project Accountant responsible for preparation and completion of the report that this report was identified as a finding in the Annual A-133 Audit report as having been Filed Late or Not Filed. This notification will indicate the need for improved performance.
2. If the report had been filed late due to transactions or other reports not being prepared and/or submitted by the Project Director or Campus Financial Officer, notify each participant the report was identified as a finding in the Annual A-133 Audit report as having been Filed Late or Not Filed. This notification will indicate the need for improved performance.
3. Enhance the information presented in Grants and Contracts Accounting Office and Office of Sponsored Programs training programs about the importance of submitting all information required for sponsored Project Financial Reports in a timely manner.

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Grant Thornton, LLP A-133 Compliance Requirements

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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GT 05-4 Financial Reports Not Submitted, Not Submitted on Time, Or Submitted With Missing Components
(Finding Control Number: FA-503-05-05)

Finding No. GT 05-4 – Financial Reports Not Submitted, Not Submitted on Time, Or Submitted With Missing Component

<u>Agency</u>	<u>CFDA Number</u>	<u>Cluster / Major Program</u>	<u>Pass-Through Grantor / Program Title</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Report Type</u>	<u>Date Due</u>	<u>Date Mailed</u>
Defense	12.OFA	R&D	Department of the Defense	MDA904-03-C-0471	R4808	A002/Funds & Man Hour Expenditure Report	1/20/2005	Not Submitted
NASA	43.OFA	R&D	National Inst of Aerospace	1120-GT	R5971	SF272	2/10/2005	Not Submitted
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-96ER54350	R8804	SF272	1/31/2005	11/7/2005
Energy	81.086	R&D	Conservation Research and Development	DE-FC36-001D113870	R4639	SF269	10/30/2004	6/15/2005
EPA	66.509	R&D	Science to Achieve Results (STAR) Research Program	RD-83107601	R4799	SF 272	1/15/2005	2/22/2005
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-98ER54499	R1143	SF 272	7/30/2005	11/7/2005
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-97ER14799	R0679	SF 272	1/15/2005	11/7/2005
Air Force	12.800	R&D	Air Force Defense Research Sciences Program	F33615-98-C-1341	R1162	Funds and Man-HR Expenditure Report	10/25/2004	12/13/2004
NIH	93.856	R&D	Microbiology and Infectious Diseases Research	1U01 AI56503-01	R4971	SF 269 (FSR)	12/29/2004	2/2/2005
Defense	12.OFA	R&D	Fizee Industries	GIOT-002 (F1104-CCM-001)	A7579	Expenditure Report	1/31/2005	Not submitted

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REPORTING

GT 05-5 Reports with Missing or Conflicting Information on Schedule of Deliverables (Finding Control Number: FA-503-05-06)

See Exhibit 5-5 for Listing of Reports with Missing or Conflicting Information on the Schedule of Deliverables

Statement of Condition

Required reports are logged and tracked by GTRC and GIT on a schedule of deliverables. GTRC and GIT did not include the required reports or included inaccurate information regarding the reports listed in Exhibit 5-5 on this schedule; therefore, submission of these reports is not being accurately monitored.

Criteria

The OMB Circular A-133 Compliance Supplement Section 6.1. Reporting Control Objective is to provide reasonable assurance that reports of Federal awards submitted to Federal awarding agency or pass-through entity include all the activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Effect

GTRC and GIT's system for ensuring timely and proper filing was not operating adequately with respect to these reports. Required reports may not be submitted timely, if at all.

Cause

Human errors caused these reports to be omitted or inaccurately documented in the schedule of deliverables.

Recommendation

GTRC and GIT should improve controls to ensure all required reports are accurately input into the schedule of deliverables.

Questioned Costs

None

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REPORTING

GT 05-5 Reports with Missing or Conflicting Information on Schedule of Deliverables (Finding Control Number: FA-503-05-06) (Continued)

Management Response

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the problems identified in this finding to help ensure that all required reports are accurately input into the schedule of deliverables.

1. Study the findings identified in this report and the information provided with the award documents to determine the possible reasons that these differences might have occurred. Where appropriate, make modifications to Contracting Officer procedures to address the changes needed to help eliminate this type of problem.
2. Schedule two special classes for Contracting Officers to review findings identified in this report and to present the modified procedures developed.
3. Each Office of Sponsored Programs' Manager and Supervisor will perform a random test of the information presented on the Schedule of Deliverables for at least two new awards for each Contracting Officer every six months. If problems are identified, corrections will be made to the Schedule of Deliverables, and the Contracting Officer procedures will be updated as required.

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REPORTING

GT 05-5 Reports with Missing or Conflicting Information on Schedule of Deliverables (Finding Control Number: FA-503-05-06) (Continued)

Exhibit 5-5 - Listing of Reports with Missing or Conflicting Information on the Schedule of Deliverables

Agency	CFDA Number	Cluster / Major Program	Pass-Through Grantor / Program Title	Contract Number	Reference Number	Report
NSF	47.041	R&D	Engineering Grants	CMS-0338445	R4767	Performance Report due date is incorrect on the Schedule of Deliverables.
Commerce	11.460	R&D	Special Oceanic and Atmospheric Projects	NA03OAR4600100	R4623	Final and semi-annual SF-269 reports are due; however, the Schedule of Deliverables only indicates a final SF-269 is required.
NASA	43.OFA	R&D	National Inst of Aerospace	1120-GT	R5971	Federal Cash Transaction Reports, Annual Performance Reports, Subject Inventions Final Report, Summary of Research, and a Final Report of Federally-Owned Property are required deliverables per the Basic Ordering Agreement; however, they are not listed on the Schedule of Deliverables.
NSF	47.OFA	R&D	University Corp for Atmospheric Research	DMR-9733160	R1043	Annual Progress Report for the current fiscal year is not included on the Schedule of Deliverables.
Transportation	20.OFA	R&D	University of Michigan	3000418443	A7314	The following Reports are due in the current fiscal year but are not listed on the Schedule of Deliverables: Task 6A - Usability Test Plan Draft Final, due 7/28/04; 7A - User Quick Reference Guide Draft, due 8/9/04; 5C - Complete Software Product for Testing, due 9/7/04; 5D - Software Test Plan Final, due 9/7/04; 6A - Usability Test Plan Final, due 9/7/04; 6C - Usability Test Report, due 11/5/04; 3 - Functional Requirements Final, due 1/4/05; 4 - Software Requirements Final, due 1/4/05; 7A - User Quick Reference Guide Final, due 1/4/05; Annual Report of Government Property in its Possession and the Possession of its Subcontractors, due 09/15/2004. Further, the reports are not listed on the Schedule of Deliverables and do not indicate the period covered, due date or date mailed.
DOD	12.000	R&D	Mission Res Corp	SC-SP46-00-0003	A6488	Interim DD Form 882, Initial Interim Invention Report is a Mission Research Corporation required deliverable; however, it is not listed on the Schedule of Deliverables.
NSF	47.076	EHR	Education and Human Resources	DGE-0202757	N7180	Form 961, Annual Graduate Fellowship Support Grant Expenditure Report and Expenditure Worksheet is a required deliverable; however, it is not listed on the Schedule of Deliverables.
DOD	12.000	R&D	Lockheed Martin	TT0678126	A7761	Document defining the operational domain of the intended operatives is a required deliverable; however, it is not listed on the Schedule of Deliverables.
DOD	12.OFA	R&D	Department of the Defense	NRO000-04-C0200	R5760	Interim Technical Status Reviews/Briefings are due every four months, but this requirement is not included on the Schedule of Deliverables.
Education	84.133	NDRR	United Cerebral Palsy	AGMT 981001	T5743	Monthly Progress Reports are due; however, they are not listed on the Schedule of Deliverables for periods after 9/2003.
Education	84.133	NDRR	National Institute on Disability and Rehabilitation Rese	H133E030035	T6241	Annual Reports are due before the next budget period; however, the Schedule of Deliverables indicates a due date of 1/31/2005.
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-97ER14799	R0679	SF 272 is required to be submitted quarterly for this grant. No such requirement is listed on the project header.
Energy	81.049	R&D	Office of Science Financial Assistance Program	DE-FG02-98ER54499	R1143	SF 272 is required to be submitted quarterly for this grant. No such requirement is listed on the project header.
DHHS	93.583	R&D	University of Pennsylvania	5-41352	R5145	A final performance report and a final financial report are due. No such requirements are listed on the document header Financial Data- Billing Details or Deliverable Schedule.
Air Force	12.800	R&D	Air Force Defense Research Sciences Program	F33615-98-C-1341	R1162	The Research Report Approval Sheet shows a 2-14-05 submission date for the Status Report for the period 8-01-04 to 10-31-04; whereas, the Schedule of Deliverables has a 12-14-04 submission date.
DOD	12.OFA	R&D	Fione Industries	31OT-002 (F1104-CCM-001)	A7579	The Subcontractor Statement of Work (SSOW-4) requires the submission of monthly expenditures to the sponsor. No such report is listed on the document header.
EPA	66.509	R&D	Science to Achieve Results (STAR) Research Program	RD-83107601	R4799	An EPA MBE/WBE Utilization Report was due to the sponsor on 10-30-04. No such report was listed on the Schedule of Deliverables.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SUBRECIPIENT MONITORING

GT 05-6 Subrecipients were not Adequately Monitored (Finding Control Number: FA-503-05-07)

Finding No. 05-6 Subrecipients were not Adequately Monitored

See Exhibit 05-6 for a listing of agency names, contract numbers and CFDA numbers associated with this finding.

Statement of Condition

Several subrecipients were not being adequately monitored by the grant administrator/pass through entity.

Criteria

Pursuant to OMB Circular A-133 Compliance Supplement Section 3.M a pass-through entity is responsible for:

- *Award Identification* - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* - (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Effect

GTRC's and GIT's system for ensuring timely receipt of the required information was not operating effectively with respect to these monitoring procedures. Required communication from the subrecipients may not be obtained timely, if at all.

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SUBRECIPIENT MONITORING

GT 05-6 Subrecipients were not Adequately Monitored (Finding Control Number: FA-503-05-07)

(Continued)

Cause

All subrecipients are not properly coded in the database to properly generate the single audit request letters.

Recommendation

GTRC/GIT should consider generating a detailed report of all subrecipients on an annual basis and matching the report to a master list of all subrecipients to ensure appropriate letters requesting A-133 audit report are being sent to all subrecipients and all follow-up procedures are completed.

Questioned Cost

None.

Management Response

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the problems identified in this finding to help ensure that all required sub-recipient monitoring procedures are performed in a timely manner.

1. Study the findings identified in this report and determine the possible reasons that these problems occurred.
2. Make updates to OSP's sub-recipient database to address any changes required to correct these problems.
3. Initiate procedures to prepare a detailed report of all sub-recipients on an annual basis to ensure appropriate letters are sent by GIT requesting certification that A-133 audits have been conducted at sub-recipient organizations.

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SUBRECIPIENT MONITORING

GT 05-6 Subrecipients were not Adequately Monitored (Finding Control Number: FA-503-05-07)

Exhibit 05-6 Subrecipients were not Adequately Monitored

Agency	CFDA Number	Cluster / Major Program	Pass-Through Grantor / Program Title	Contract Number	Ref. Number	Entity	Date Sent	Date Received	Status
Commerce	11.460	R&D	Special Oceanic and Atmospheric Projects	NA03OAR4600100	R4623	College of William & Mary	2/8/2006	Not requested timely	Not received.
Energy	81.OFA	R&D	General Electric Co.	EP-2003-G-002	R4609	University of Arkansas	2/8/2006	Not requested timely	Not received.
NIH	93.856	R&D	Microbiology and Infectious Diseases Research	1U01 AI56503-01	R4971	University of South Carolina Research Fdn.	2/8/2006	Not requested timely	Not received.
DOE	84.133	EHR	National Institute on Disability and Rehabilitation Research	H133D010207	T5979	Center for Accessible Living I Total	2/8/2006	Not requested timely	Not received.
DOE	84.133	EHR	National Institute on Disability and Rehabilitation Research	H133D010207	T5979	KY Assistive Technology Service Total	2/8/2006	Not requested timely	Not received.
DOE	84.133	EHR	National Institute on Disability and Rehabilitation Research	H133D010207	T5979	Univ of GA Total	6/7/2005	8/10/2005	Corrective action plan was not requested or obtained
NSF	47.076	NDRR	Education and Human Resources	HER-0314953	Y0001	North Georgia College & State University	6/21/2005	11/16/2005	Deficiencies noted in response; however, follow up not pursued in a timely manner
NSF	47.076	NDRR	Education and Human Resources	HER-0314953	Y0001	University of Georgia Research Foundation	6/7/2005	8/10/2005	Corrective action plan was not requested or obtained
NSF	47.076	NDRR	Education and Human Resources	DUE-0210644	R3772	Clark Atlanta University	2/8/2006	Not requested timely	Not received.

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
REPORTING**

GT 05-7 Financial Report Not in Agreement with General Ledger (Finding Control Number: FA-503-05-08)

Finding No. 05-7 Financial Report Not in Agreement with General Ledger

<u>Agency</u>	<u>CFDA Number</u>	<u>Cluster / Major Program</u>	<u>Pass-Through Grantor / Program Title</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Report Type</u>	<u>Source Document</u>	<u>Unbilled Amount</u>
NSF	47.076	NDRR	Education and Human Resources	DGE-0202757	N7180	1st qtr SF272	Project Ledger	(68,730)

Statement of Condition

Certain required financial reports did not agree to source documentation due to the omission of cost of education charges.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3.1 requires recipients to use standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats. These financial reports should be traceable to source documentation without exception in order to assure accurate accounting and billing procedures.

Effect

Omission of cost of education charge resulted in an understatement of charges for the quarter.

Cause

Cost of education charge was inadvertently not included in the required financial report.

Recommendation

GTRC and GIT should improve controls to ensure all costs incurred are included in the required financial reports.

Questioned Cost

None.

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REPORTING

GT 05-7 Financial Report Not in Agreement with General Ledger (Finding Control Number: FA-503-05-08)
(Continued)

Management Response

We concur with this finding and recommendation regarding the need to ensure all costs incurred are included in the required financial reports. The special procedures required to determine this specific Cost of Education Allowance for this Sponsored Project must be performed on a manual basis for each reporting period. Prior to August 31, 2006, actions will be taken to improve the reporting instructions for this Sponsored Project to help ensure that all required accounting procedures are completed prior to preparation and submission of this report.

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SPECIAL TESTS AND PROVISIONS

GT 05-8 Lack of Adherence to Sponsor Invoice Instructions and Pre-Approvals (Finding Control Number: FA-503-05-9)

See Exhibit 05-8 for a listing of agency names, contract numbers and CFDA numbers associated with this finding.

Statement of Condition

Grantor entities require billings in specific formats and/or pre-approval for certain expenditures. Adherence to these requirements was not consistently achieved.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3-N states that the specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program. The awards in Exhibit 05-8 required billings in certain formats with required information and required pre-approvals for certain expenses.

Effect

GTRC and GIT's system for ensuring invoices include all contractually required information and pre-approval was not operating adequately. As a result, reimbursement could be delayed and/or may be denied for expenditures that were not listed in the initial budget.

Cause

The grantor's specific billing instructions were not followed.

Recommendation

Efforts should be made by GTRC and GIT to ensure that all invoices are submitted to the grantor agencies in accordance with the terms and conditions of the contract.

Questioned Cost

None

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SPECIAL TESTS AND PROVISIONS

GT 05-8 Lack of Adherence to Sponsor Specific Invoice Instructions and Pre-Approvals (Finding Control Number: FA-503-05-9) (Continued)

Management Response

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that all special terms and conditions of sponsored agreements related to the invoices to sponsors are completed in accordance with Institute policies and procedures and the terms and conditions of the sponsored agreement.

1. Complete a review of the sponsored project files to identify the weaknesses identified in this finding, and where necessary, complete all additional work required to obtain required approvals and assure compliance the appropriate requirements.
2. Study the finding presented above and notify the Project Director, Campus Financial Officer, and Project Accountant that all invoicing procedures were not completed in accordance with the terms and conditions of the sponsored agreement and with Institute policies and procedures, and that these actions were identified in a finding in the Annual A-133 Audit report as having no been managed properly. This notification will indicate the need for improved performance.
3. Enhance the information presented in Grants and Contracts Accounting Office training programs about the important of completing all invoicing in accordance the terms and condition of sponsored agreements and Institute policies and procedures.

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SPECIAL TESTS AND PROVISIONS

GT 05-8 Lack of Adherence to Sponsor Invoice Instructions and Pre-Approvals (Finding Control Number: FA-503-05-9)

Exhibit 05-8 Lack of Adherence to Sponsor Invoice Instructions and Pre-Approvals

Agency	CFDA Number	Cluster / Major Program	Pass-Through Grantor / Program Title	Contract Number	Reference Number	Issue
NSF	47.OFA	R&D	University Corp for Atmospheric Research	DMR-9733160	R1043	Foreign travel expenditure required pre-approval, that was not obtained
Transportation	20.OFA	R&D	University of Michigan	3000418443	A7314	Invoice was not properly certified or signed as required by the contract.
DOD	12.OFA	R&D	Lockheed Martin	TT0678126	A7761	Invoice was not signed or stamped by the proper authorizing personnel.
GSA	39.000	R&D	General Service Administration	GST0404DE0170	A7415	The grant agreement required invoices to include specific data, and this information was not included on the invoice and the invoice was signed or stamped as required.
DOD	12.OFA	R&D	Mission Res Corp	SC-SP46-00-0003	A6488	Invoice included the certification required by the contract, but the invoice was not signed or stamped by the proper authorizing personnel.
Navy	12.300	R&D	Basic and Applied Scientific Research	N00600-02-D-1056-0010	A6977	Special instructions may be contained in Basic Ordering Agreement 461- Article G. Article G not provided for audit.
Navy	12.300	R&D	Basic and Applied Scientific Research	N00600-02-D-1056-0010	A6977	Invoice was not signed or stamped by the proper authorizing personnel.
Navy	12.300	R&D	Basic and Applied Scientific Research	N00014-03-C-0114	A7141	Invoice was not signed or stamped by the proper authorizing personnel.
GSA	39.OFA	R&D	General Service Administration	TO402BF0245	A7150	The grant agreement required invoices to include specific data, which was not included on the invoice, and the invoice was not signed or stamped.

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MATCHING, LEVEL OF EFFORT, EARMARKING

GT 05-9 Matching Funds Not Timely Submitted to Sponsor (Finding Control Number: FA-503-05-10)

Finding No. GT 05-9 Matching Funds Not Timely Submitted to Sponsor

<u>Agency</u>	<u>CFDA Number</u>	<u>Cluster / Major Program</u>	<u>Pass-Through Grantor / Program Title</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Issue</u>
Defense	12.800	R&D	Anteon Corp	S1089	R2287	Match included in budget proposal, but it was not formally tracked by the Office of Sponsored Programs.
NSF	47.041	R&D	Engineering Grants	BES-0093830	R2983	Request to extend original proposed matching period not submitted in a timely manner resulting in a \$50.45 short fall in meeting match requirement on an on-going project.

Statement of Condition

In order to obtain certain awards, GTRC and GIT must provide matching funds. Documentation of the match was not available for audit. Requests for an extension of time to contribute matching funds were not timely submitted to grantor agency.

Criteria

The OMB Circular A-133 Compliance Supplement Section 5 Research and Development Programs III.G.1. Matching states non-Federal entities may be required to share in the cost of research either on an overall entity or individual grant basis. The specific program regulations or individual Federal award will specify the matching requirements if applicable. The matching requirement was included in the budget proposal for the two grants noted in Exhibit 5-8

Effect

GTRC and GIT's system for ensuring the matching requirement had been met was not operating effectively. Not meeting the matching requirement, as stated in the contract, could lead to delayed or decreased funding for GTRC and GIT grants and contracts.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATCHING, LEVEL OF EFFORT, EARMARKING

GT 05-9 Matching Funds Not Timely Submitted to Sponsor (Finding Control Number: FA-503-05-10)

(Continued)

Cause

The matching requirement was not formally established for one grant, and the required matching levels for the other grant were not consistently monitored.

Recommendation

GTRC and GIT should improve controls identifying matching obligations and progress.

Questioned Cost

The \$50.47 remaining match requirement is a questioned cost.

Management Response

We concur with this finding and recommendation and existing Institute policies and procedures provide for the accounting and reporting of all cost share obligations as described in the recommendation. Prior to August 31, 2006, actions identified below will be taken to address the instances of non-compliance identified in this finding.

1. Study the findings presented above and notify the Project Director, Campus Financial Officer, Project Accountant and Contract Officers that the cost share obligations for these two sponsored projects were not managed in accordance with Institute policies and procedures and that these actions were identified in a finding in the Annual A-133 Audit report as having not been managed properly. This notification will indicate the need for improved performance.
2. Complete sponsored project accounting for these two projects to assure compliance with all applicable requirements.
3. Enhance the information presented in Grants and Contracts Accounting Office and Office of Sponsored Programs training programs about the importance of identifying all cost share obligations included in sponsored awards, establishing and managing cost share projects in the accounting records, and making appropriate expenditures to assure the completion of cost share requirements in a timely manner.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

GT 05-10 Late Labor Cost Transfers (Finding Control Number: FA-503-05-11)

Finding No. 05-10 Late Labor Cost Transfers

<u>Agency</u>	<u>CFDA Number</u>	<u>Cluster / Major Program</u>	<u>Pass-Through Grantor / Program Title</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Late Billed Amount</u>
Energy	81.OFA	R&D	General Electric Co.	EP-2003-G-002	R4609	\$12,310

Statement of Condition

Grants and contracts has established a 30 and 60 day limit to transfer labor costs to the proper project. A fiscal year 2004 transfer did not take place until fiscal year 2005.

Criteria

The Office of Management and Budget Circular A-21, section J.10.c.(1)(e), provides that at least annually, a statement will be signed by the employee stating that salaries and wages charged to sponsored agreements are reasonable in relation to the work performed. It is GIT/GTRC/GTARC policy that personnel under the Plan Confirmation System sign an ASR on a yearly basis. In addition, Grants and Contracts Accounting (“G&C”) has a separate procedure, 3.2 Personal Services Reporting Under the Plan Confirmation System, requiring labor cost transfers to be made within 30 days and 60 days. The transfers must be justified. This procedure is supported by Salary, Planning and Distribution department procedures and practices.

Effect

These transfers could result in misallocation of costs on government contracts and incorrect billings to the government.

Cause

Personnel do not always transfer costs on a timely basis. The condition results from GTRC and GIT operating on a budgeting system where work is planned a fiscal year in advance, so there will always be changes. G&C monitors the late transfers on a monthly basis by evaluating the reasons for late transfers, following up with department heads, and providing training to the personnel who continue to transfer labor cost past 60 days and the fiscal year. Although the situation has improved as a result of G&C efforts, late transfers continue to occur.

Recommendation

GTRC and GIT should continue to monitor, inform and train personnel who continue to transfer costs beyond the 30 and 60 day limitations to ensure costs get properly allocated to contracts and to ensure correct billings to the grantor agencies.

Questioned Cost

None.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

GT 05-10 Late Labor Cost Transfers (Finding Control Number: FA-503-05-11)

Management Response

We concur with this finding and recommendation. During recent years, significant attention has been focused on the development and implementation of improvements to the Plan Confirmation System procedures that are designed to eliminate or reduce instances of late salary distribution changes, and these efforts will be continued. Prior to August 31, 2006, actions identified below will be taken to address the problem identified in this finding to help ensure that all required salary Cost Transfers are completed in a timely manner.

1. Study the finding identified above and notify the Project Director, Campus Financial Officer and Project Accountant that the late salary cost transfer was identified as a finding in the Annual A-133 Audit report as having been processed in a timely manner, within 60 days of payment. This notification will indicate the need for improved performance.
2. Continue to use the new Web Based reporting procedures that identify the departments, project directors and employees covered by late salary distribution changes. This report was implemented to help identify the departments, project directors, and employees where additional training in the system requirements is needed.
3. Enhance the information presented in Grants and Contracts Accounting Office and Office of Sponsored Programs training programs about the importance of completing all salary cost transfers on a timely manner, within 60 days after payment.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT

GT 05-11 Lack of Adherence to Requests for Reimbursement (Finding Control Number: FA-503-05-12)

Finding No. GT 05-11 Lack of Adherence to Requests for Reimbursement

<u>Agency</u>	<u>CFDA Number</u>	<u>Cluster / Major</u>	<u>Pass-Through Grantor / Program Title</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Issue</u>
Energy	81.OFA	R&D	General Electric Co.	EP-2003-G-002	R4609	Final invoice of \$117,451 billed in December 2004 while work continued through June 2005 resulting in \$354 of overbillings to sponsor.

Statement of Condition

Certain grants and contracts entered into by GTRC and GIT are administered on a cost reimbursement basis, therefore, requiring expenditures to be incurred prior to the request for reimbursement. Adherence to this provision was not consistently followed.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3-N states that when entities are funded on a reimbursement basis, program costs must be paid by the grant recipient before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Effect

GTRC and GIT's system for ensuring reimbursement requests occur subsequent to expenditures is not operating effectively, as evidenced by instances of reimbursement requests being submitted prior to expenditures being incurred.

Cause

Formal documentation was not obtained to substantiate sponsor requested advance billing.

Recommendation

GTRC and GIT should increase efforts to improve controls to ensure that no reimbursements will be requested without evidence of an expenditure being incurred.

Questioned Cost

The \$117,451 of advance billing represents a questioned cost.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT

GT 05-11 Lack of Adherence to Requests or Reimbursement (Finding Control Number: FA-503-05-12)

(Continued)

Management Response

We concur with this finding and recommendation. Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that all requirements related to timing of the preparation and submission of invoices to sponsors be completed in accordance with Institute policies and procedures and the terms and conditions of the sponsored agreement.

1. Complete project close-out procedures for the project identified in this finding and clear all open balances due to or due from the sponsor. In certain instances, allowable charges to sponsored projects, which are invoiced on a monthly basis, are subsequently reduced when goods are returned to a vendor or other cost reduction are identified. These changes in costs are to be addressed in a timely manner.
2. Study the finding presented above and notify the Project Director, Campus Financial Officer, and Project Accountant that all invoicing procedures were not completed in accordance with the terms and conditions of the sponsored agreement and with Institute policies and procedures, and that these actions were identified in a finding in the Annual A-133 Audit report as having not been managed properly. This notification will indicate the need for improved performance.
3. Enhance the information presented in Grants and Contracts Accounting Office and Office of Sponsored Programs training programs about the important of completing all charges to sponsored projects in a timely manner to permit invoicing in accordance the terms and condition of sponsored agreements and Institute policies and procedures.

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Grant Thornton, LLP A-133 Compliance Requirements

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

EQUIPMENT AND REAL PROPERTY MANAGEMENT

GT 05-12 Failure to Comply with Federal Property Management Standards (Finding Number: FA-503-05-01)

Statement of Condition

GIT and GTRC's management did not follow Federal property disposition guidelines with respect to disposition of property/equipment purchased with Federal funds where title vests with GIT/GTARC and when required by grant agreements or the Federal awarding agency.

Criteria

The OMB Circular A-133 Compliance Supplement Section 3-F requires equipment records shall be maintained, a physical inventory of equipment shall be taken once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Effect

GTRC and GIT did not properly account for and dispose of exempt property in accordance with Federal guidelines when required by terms of the grant or the Federal awarding agency.

Cause

Management failed to have appropriate procedures in place to ensure that dispositions of exempt property were properly handled in accordance with Federal guidelines when required by the Federal grant agreement or by the Federal awarding agency.

Recommendation

GTRC and GIT should establish and implement controls to ensure that inventory records for equipment acquired with Federal funds comply fully with Federal regulations, conditions of specific grant agreements or Federal grantor agency guidelines, whichever is applicable.

Questioned Cost

None

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

EQUIPMENT AND REAL PROPERTY MANAGEMENT

GT 05-12 Failure to Comply with Federal Property Management Standards (Finding Number: FA-503-05-01) (Continued)

Management Response:

Management concurs that there is a need to establish and implement controls to ensure that equipment acquired with Federal funds is managed in accordance with specific grant agreements or Federal grantor agency guidelines, whichever is applicable.

While existing policies and procedures provide for proper accounting for equipment acquired with Federal funds when title is to be retained by the sponsor and for equipment acquired with Federal funds when title is to be held by the Institute under the exempt property standards, existing procedures do not address instances when Federal agencies award title to the Institute, but retain control over transfers and/or disposition of the equipment.

Prior to August 31, 2006, actions identified below will be taken to address the weaknesses identified in this finding to help ensure that equipment acquired with Federal funds is accounted for in accordance with applicable requirements.

1. Work will be initiated with the Office of Naval Research, the Institute's cognizant Federal agency, to determine if it would be acceptable for the Institute to establish procedures to have all equipment classified as either sponsor owned equipment or Institute owned equipment and exempt property upon acquisition, without further obligation to the Federal Government. The Institute would not accept awards with proposed equipment acquisitions from Federal agencies with provisions that require the recipient to take title to equipment subject to special provisions after purchase.

2. Should it not be possible to obtain Office of Naval Research approval of the procedure outlined above, work will be outlined to provide for a new category of equipment with title held by the Institute, subject to special sponsor requirements. Upon or prior to termination of all projects identified with special equipment disposition instructions, GIT will forward a request to the appropriate Federal agency requesting that title to all equipment purchased under the individual agreement be retained by GIT without further obligation to the Federal Government. Final disposition will be made in accordance with the approval or disapproval of these individual requests.

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Status of FY 2004 Prior Year Findings and Questioned Costs

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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

Finding Control Number: FS-503-04-01

Condition: Georgia Institute of Technology did not adequately monitor the timeliness of charges and collection efforts on their Sponsored Projects, which resulted in funds due the Institute becoming uncollectible. These uncollectible amounts for certain Sponsored Projects in Restricted funds were funded by General Operations (Resident Instruction Fund).

Criteria: The, Board of Regents of the University System of Georgia's Business Procedures Manual, Section 10.4.1 (4), as revised, requires that uncollectible accounts must be identified by fund and that "fund integrity must be maintained at all times with regard to the uncollectible accounts". Section 10.4.3 also states "federal receivables resulting from contract or grant activity are to be considered, for write-off purposes, as disallowed charges. The funding source for disallowed charges is indirect cost recoveries (revenue)."

Questioned Cost: N/A

Information: An examination of the uncollectible amounts funded by the Resident Instruction fund disclosed the following:

1. Two expired project agreements had inadequate collection procedures.
2. On nine projects collection of membership dues was inadequate to support research expenditures.
3. Two project agreements had inadequate collection procedures.
4. Two projects showed funds were due however the Sponsor stated that payment had been made.
5. Thirty projects had costs rejected because they were incurred or identified after the project termination date.
6. One project had expenses that were based on anticipated funding that was not realized.

Cause: Management at Georgia Institute of Technology failed to adequately monitor charges to and collections of certain Sponsored Projects within the Restricted funds of the Institute.

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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

Finding Control Number: FS-503-04-01 (Continued)

Effect: As a result of the weaknesses identified, certain Sponsored Projects reflected accounts receivable which were uncollectible due to inadequate collection procedures and/or disallowed charges. These uncollectible amounts were funded by the General Operations (Resident Instruction Fund) of the Institute. However, the funding source for these uncollectibles should be the Indirect Cost Recoveries Fund.

Recommendation: Institute management should strengthen controls to ensure that charges against Sponsored Projects are made in a timely manner to facilitate prompt billing. Also, accounts receivable related to these charges should be closely monitored to ensure proper collection from Sponsors.

Management Response: Institute management concurs with the audit recommendation that the Institute needs to strengthen controls to ensure that charges against Sponsored Projects are made in a timely manner to facilitate prompt billing and collection of funds from sponsors. In addition, improvements in Accounts Receivable monitoring procedures need to be implemented. Specific action steps to be taken to address these needs are described below:

1. Enhance current monthly reporting of sponsored projects that have term dates during the next 90 days to encourage corrective action when needed to complete all sponsored activities and/or to complete all required expenditures prior to the end of the agreements. When necessary, revisions to contract terms should be requested to assure timely completion of project activities on time. This task is to be completed on or before December 31, 2005.

2. Implement new "Expenditure Rate Reporting" procedures that match actual expenditures on Sponsored projects to estimated project budget by month. This reporting is designed to highlight the need to change project activities and/or change the project schedule to match the terms and condition of the agreements. This task is to be completed on or before December 31, 2005.

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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

Finding Control Number: FS-503-04-01 (Continued)

3. Implement new sponsored project Accounts Receivable Balances monitoring procedures to identify instances where action is needed to assure timely collection of funds. Where collections cannot be made within the required time period, sponsored project costs will need to be adjusted to other appropriate fund sources. This task is to be completed on or before December 31, 2005.

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Based on the work performed, the Corrective Action Plan is considered Partially Resolved.

The Corrective Action Plan includes three steps and the progress of each is presented below:

Management Response: Institute management concurs with the audit recommendation that the Institute needs to strengthen controls to ensure that charges against Sponsored Projects are made in a timely manner to facilitate prompt billing and collection of funds from sponsors. In addition, improvements in Accounts Receivable monitoring procedures need to be implemented. Specific action steps to be taken to address these needs are described below:

1. Enhance current monthly reporting of sponsored projects that have term dates during the next 90 days to encourage corrective action when needed to complete all sponsored activities and/or to complete all required expenditures prior to the end of the agreements. When necessary, revisions to contract terms should be requested to assure timely completion of project activities on time. This task is to be completed on or before December 31, 2005.

Status: Corrective Action Plan Implemented

Action was taken to highlight sponsored projects with term dates within 30 days. This reporting, which supplements the 90 days to term reporting has produced improved results.

2. Implement new "Expenditure Rate Reporting" procedures that match actual expenditures on Sponsored projects to estimated project budget by month. This reporting is designed to highlight the need to change project activities and/or change the project schedule to match the terms and condition of the agreements. This task is to be completed on or before December 31, 2005.

Status: Corrective Action Plan Implemented

The system design and programming work was been completed and the August 31, 2005 Expenditure Reports were published on a test basis as of September 8, 2005. Since that time, revisions have been made and monthly reports are now made available on the campus web site for the use of financial managers and project directors as needed.

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REVENUE/RECEIVABLES/RECEIPTS

Failure to Monitor Sponsored Projects

Finding Control Number: FS-503-04-01 (Continued)

3. Implement new sponsored project Accounts Receivable Balances monitoring procedures to identify instances where action is needed to assure timely collection of funds. Where collections cannot be made within the required time period, sponsored project costs will need to be adjusted to other appropriate fund sources. This task is to be completed on or before December 31, 2005.

Status: Partially Resolved

New accounting analysis work was completed to age the Accounts Receivable Balances as of June 30, 2005 and as of December 31, 2005. These results have been used to target sponsored projects that require corrective actions. Plans have been made to analyze the Accounts Receivable balances on a quarterly basis to assure the desired improvements. This work is to be completed by April 30, 2006.

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Status: Corrective Action Partially Resolved