



TEXAS A&M RESEARCH FOUNDATION

400 Harvey Mitchell Parkway South, Suite 100 • College Station, Texas • 77845
979-845-8600 979-862-3250 Fax

<http://rf-web.tamu.edu>

Integrated Ocean Drilling Program • Prairie View A&M Research Foundation •
The Texas A&M University System Health Science Center Research Foundation

OMB Circular A-133 Audit Information Sub Recipient Compliance

In accordance with the Office of Management and Budget Circular A-133, the Texas A&M Research Foundation's audit of federal programs has been completed for the year ending August, 31, 2008. The financial statements and compliance for major programs received unqualified opinions from the independent auditors.

Regarding federal and state awards, the auditors identified significant deficiencies that are not considered to be material weaknesses, but are required to be disclosed in accordance with section 510(a) of Circular A-133. There were no questioned costs. The findings and corrective action plans are listed in Attachment I of this document. There are no unresolved prior year findings.

The Schedule of Expenditures of Federal and State Awards, which includes sub awards, begins on page 29 of the Independent Auditor's Report. A summary of the auditors' results can be found on page 48 of the report.

Should you have any questions regarding the audited financial statements or compliance reports, please contact me at 979-845-8701 or lfw@rf-mail.tamu.edu or Verna Smith, Director of Fiscal Operations and Reporting, at vsmith@rf-mail.tamu.edu or 979-845-3806.

Sincerely,

A handwritten signature in blue ink that reads 'Linda Woodman'.

Linda Woodman
Senior Vice President and Chief Financial Officer
December 12, 2008

Serving Those Who Provide the Future

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans - FYE 8/31/08**

08-01 Noncompliance with Matching Requirements

	Questioned Costs
<u>DEPARTMENT OF AGRICULTURE</u>	
Fungal Biology and Emerging Issues in Agriculture CFDA No. 10.210; Grant No. 2005-38420-15845; Grant Period - Year Ended 8/31/08 (RF468621)	---
<u>DEPARTMENT OF DEFENSE</u>	
Theoretical Studies of Radiation Transfer with Inelastic, Time Department/Independent Scattering CFDA No. 12.300; Grant No. N00014-02-1-0478; Grant Period - Year Ended 3/31/08 (RF455311)	---
<u>DEPARTMENT OF TRANSPORTATION</u>	
Southwest Region University Transportation Center CFDA No. 20.000; Grant No. DTRS99-G-0006; Grant Period - Year Ended 8/31/08 (RF473700)	---
Asphalt Research Consortium CFDA No. 20.000; Grant No. TTI000; Grant period. Year ended 8/31/08 (RF476360)	---
Southwest Region University Transportation Center CFDA No. 20.000; Grant No. DTRT07-G-0006; Grant Period - Year Ended 8/31/08 (RF476660)	---
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>	
A Critical Edition of John Donne's Verse Letters and Songs and Sonnets CFDA No. 45.161; Grant No. RQ-50152-05; Grant Period - Year Ended 8/31/08 (RF480451)	---
<u>NATIONAL SCIENCE FOUNDATION</u>	
Advancing Geospatial Skills in Science CFDA No. 47.076; Grant No. DGE-0440511; Grant Period - Year Ended 5/31/08 (RF467751)	---
Engaging Middle School Students In Student Directed Inquiry Through Virtual Environments For Learning CFDA No. 47.076; Grant No. ESI-0628264; Grant Period - Year Ended 8/31/08 (RF492291)	---
<u>DEPARTMENT OF HEALTH AND HUMAN SCIENCES</u>	
Science Promotion in Rural Middle Schools; Phase I & II CFDA No. 93.389; Grant No. 1R25 RR022711-O1A2; Grant Period - Year Ended 6/30/08 (RF497841)	---

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans - FYE 8/31/08**

08-01 Noncompliance with Matching Requirements - Continued

Criteria: Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal or state awards. Matching may be in the form of allowable costs incurred or in-kind contributions.

Condition: During review of this compliance requirement, it was noted that on some projects on which salaries and the related costs were used as the match that incorrect fringe benefit rates, insurance rates and indirect cost rates were used. Other instances were noted where the cost sharing was incorrectly computed due to the use of incorrect monthly expenses.

Recommendation: We recommend that the information used to calculate cost sharing from researchers be compared to the information provided by the System and its members to insure the correct rates are used. Expenditures should also be reviewed to insure that the correct costs are used in the calculation of cost sharing amounts.

08-01 Corrective Action Plan

Management Response: *We concur with the finding. The findings have been reviewed with management and staff. As of December 1, 2008, corrective action has been taken and new procedures have been implemented in Accounts Receivable, the department responsible for monitoring cost sharing obligations, that provide for cross verification on calculations and supporting documentation. The staff has been retrained in the identification of what constitutes proper documentation and the specific documents that will be required for each file to confirm and support the calculations. The cost sharing calculations for the accounts identified by the auditors have all been corrected. For the majority of the erroneous calculations identified by the auditors, the staff was using prior year benefit rates and indirect cost rates which resulted in lower cost sharing calculations.*

Person responsible for corrective action plan:
Michele Lacey, Associate Vice President
Post Award Project Management

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans - FYE 8/31/08**

08-02 Noncompliance with Suspension & Debarment Requirements -

DEPARTMENT OF DEFENSE

Spatial Heterogeneity of Geotechnical Properties in Tidal Mud Flats, Alternative Field Site Investigations of Mud Flat Systems	Questioned Costs
CFDA No. 12.300; Grant No. N00014-07-1-0880; Grant Period - Year Ending 5/31/09 (RF496551)	---

DEPARTMENT OF THE INTERIOR

U.S. Fish and Wildlife Service Analysis of Environmental Materials for Residues of Organic Contaminants	---
CFDA No. 15.000; Grant No. 1448-98210-3-D046; Grant Period - Year Ended 3/31/08 (RF657821)	---

NATIONAL SCIENCE FOUNDATION

Development of a Phase Coherent Laser System for Atto Second Science and Precision Spectroscopy	---
CFDA No. 47.049; Grant No. PHY-0722800; Grant Period - Year Ended 8/31/08 (RF497551)	---

Probing Superconductivity Fluctuations on Mesoscopic Scales – Conductance Fluctuations and Oscillations and Electron Tunneling	---
CFDA No. 47.049; Grant No. DMR-0606529; Grant Period - Year Ending 6/30/09 (RF491371)	---

DEPARTMENT OF HEALTH AND HUMAN SERVICES

N-3 Fatty Acids Alter T-Cell Activation Signaling	---
CFDA no. 93.000; Grant No. 1 R01DK071707; Grant Period - Year Ending 1/31/09 (RF494361)	---

Genetic Analysis of Inner Ear Development in Zebrafish	---
CFDA No. 93.173; Grant No. 2R01DC003806-11; Grant Period - Year Ending 2/28/09 (RF440653)	---

Design and Synthesis of Functional NGF Peptidomimetics	---
CFDA No. 93.242; Grant No. 5 R01 MH070040-09; Grant Period - Year Ending 3/31/09 (RF444082)	---

Scanco Vivact 40 High Speed Microcomputed Tomography System	---
CFDA No. 93.389; Grant No. 1510RR02363401A1; Grant Period - Year Ending 3/31/09 (RF499561)	---

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans - FYE 8/31/08**

**08-02 Noncompliance with Suspension & Debarment Requirements –
Continued**

DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED

	<u>Questioned Costs</u>
Bioinorganic Chemistry of Carbon Monoxide Dehydrogenase CFDA No. 93.847; Grant No. 2R56 GM046441-15; Grant Period - Year Ending 7/31/09 (RF484135)	---
Coordination of Circadian Physiology of Diverse Species CFDA No. 93.853; Grant No. 2P01NS039546-06A1; Grant period - Year Ending 6/30/09 (RF447732)	---

Criteria: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All nonprocurement transactions (i.e. subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPSL)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition: During review of this compliance requirement, it was noted that the Foundation failed to properly verify that contracting parties were not suspended or debarred. It was noted that debarment certification forms were included in the procurement files but were not signed by the vendors. Other instances were noted in which a comment was written in the procurement file that suspension and debarment had been checked but there was no verifiable proof of this. In addition, it was noted that in some cases the Foundation verified suspension and debarment for covered transactions that equaled or exceeded \$30,000 rather than those that equaled or exceeded \$25,000.

Recommendation: We recommend that the Foundation verify suspension and debarment for all required covered transactions.

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans - FYE 8/31/08**

08-02 Corrective Action Plan – Noncompliance with Suspension & Debarment Requirements

Management Response: *We concur with the auditors in that the verifications were not adequately documented. The Research Foundation Purchasing department has used the EPSL system noted by the auditors since March 2008. Prior to that time a signed document from the vendor was required. The findings have been reviewed with management and staff. As of December 1, 2008, corrective action has been taken and new procedures to formalize internal documentation and change signature authorities have been implemented. There appears to be a difference in the federal regulations. OMB Circular A-133 refers to a \$25,000 threshold for verification, but the Federal Acquisition Regulation (FAR52.209-6) refers to a \$30,000 threshold for verification. Management will follow up to determine if the \$30,000 threshold can be used. In the meantime, we will use the \$25,000 threshold. We do note that none of the vendors identified by the auditors were suspended or debarred.*

Person responsible for corrective action plan:
Diane Hassel, Associate Vice President
Post Award Project Services

08-03 Noncompliance with Subrecipient Monitoring Requirements

DEPARTMENT OF DEFENSE

The Root Cause of Post Traumatic and Development Stress Disorder
CFDA No. 12.420; Grant No. W23RYX6331N601; Grant Period -
Year Ending 2/29/09 (RF 495781)

Questioned
Costs

New Mid/Far Infrared CW Room Temperature Semiconductor Lasers
Based on Infralaser Wave-Mixing Technique
CFDA No. 12.800; Grant No. FA9550-05-01-0360; Grant Period -
Year Ended 5/31/08 (RF458451)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Drug Abuse and Other Deviant Adoptions: Two Generations
CFDA No. 93.279; Grant No. 5R01DA002497-26; Grant Period -
Year Ending 1/31/09 (RF 460474)

**Texas A&M Research Foundation
Audit Findings Identified by Ingram, Wallis & Company, P.C.
And Corrective Action Plans – FYE 8/31/08**

**08-03 Noncompliance with Subrecipient Monitoring Requirements -
Continued**

Criteria: A pass-through entity is responsible for monitoring the subrecipient's use of Federal and State awards. Monitoring activities normally occur through-out the year. These activities include reviewing financial and performance reports submitted by the subrecipient and other means to provide reasonable assurance that the subrecipient administers Federal and State awards in compliance with laws, regulations, and the provisions of contracts and grant agreements and that performance goals are achieved.

Condition: During review of this compliance requirement, it was noted that the Foundation did not obtain reports noted in the subrecipient agreement that were due by the subrecipient to the Foundation. The reports noted were delinquent.

Recommendation: We recommend that the Foundation ensure that subrecipient reports are submitted to the Foundation for review as required by the subrecipient agreement.

08-03 Corrective Action Plan

Management Response: *We concur with the finding. The reports have not been received. The Research Foundation has a notification system in place to advise subrecipients about when and what type of report is due. In the four instances identified by the auditors initial notices were sent to the following subrecipients:*

- *Baylor University Annual Invention Report DD882*
- *Tempva Research Group, Inc. Annual Invention Report DD882*
- *Temple University Final Invention Report HHS 568*
- *University of Central Florida Final Invention Report DD882*

According to the internal file each subrecipient has been contacted on three subsequent occasions. The finding has been reviewed with management and staff. We will examine the process to determine if changes are needed.

Person responsible for corrective action plan:
Michele Lacey, Associate Vice President
Post Award Project Management