



Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to
The Research Foundation for the State University of New York
on behalf of Alfred State College
Grant Number PW-18924**

Report Prepared by Castro & Company, LLC

Report Number 23-08

February 28, 2023

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009



Office of Inspector General

Appalachian Regional Commission

February 28, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 23-08 – The Research Foundation for the State University of New York on behalf of Alfred State College

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number PW-18924 per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were reasonable, supported, and fairly represented to the Commission.

Castro & Company, LLC, is responsible for the attached audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in the audit report. To fulfill our responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

The auditors made four recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendations.

We thank your staff for the assistance that was extended to the auditors during this audit. Please contact me at 202-884-7675 if you have any questions regarding the report.



**Appalachian Regional Commission
Performance Audit Report
of Grant No. PW-18924**

**For the period from June 1, 2017 to June 30, 2022
Awarded to the Research Foundation for State University of New
York on behalf of Alfred State College**

**Prepared for the Appalachian Regional Commission
Office of Inspector General**

February 2, 2023

Final Report

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Executive Summary

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

Castro & Company, LLC (Castro & Co) conducted a performance audit of Grant Number PW-18924 awarded by the Appalachian Regional Commission (ARC) to the Research Foundation for State University of New York (SUNY) on behalf of Alfred State College (ASC) (the Grantee or Research Foundation for SUNY/ASC) with a grant performance period of June 1, 2017 to June 30, 2022. The audit was conducted at the request of the ARC Office of Inspector General to assist it in its oversight of ARC grant funds.

The objectives of the performance audit were to determine whether: (1) grant funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended, as provided for in the approved grant budget; (3) internal guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We determined that except for Findings 01, 02, and 03 related to financial management and internal controls described in **Appendix A – Findings and Recommendations**; the Grantee’s financial management, administrative procedures, and related internal controls were adequate to manage the ARC grant funds.

We discussed the results of this performance audit with the Grantee’s management at the conclusion of our fieldwork. The Grantee’s response has been included as **Attachment 1 – Research Foundation for SUNY/ASC’s Response** to this report.

Castro & Co appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Castro & Company, LLC

Alexandria, VA
February 2, 2023

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training; health care; water and sewer systems; housing; highway construction; and other essentials of comprehensive economic development. ARC grants are made to a wide range of entities including local development districts, state ARC offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects. Castro & Company, LLC (Castro & Co) was contracted by the ARC's Office of Inspector General to perform the audit of Grant No. PW-18924 awarded to the Research Foundation for State University of New York (SUNY) on behalf of Alfred State College (ASC) (the Grantee or Research Foundation for SUNY/ASC) for the grant performance period from June 1, 2017 to June 30, 2022.

ARC awarded Grant No. PW-18924 to Research Foundation for SUNY/ASC to provide funding for the purchase and installation of equipment and systems, network development, and job training to advance the forest-based bioproducts manufacturing sector. ASC's Biorefinery Development and Commercialization Center (BDCC) is a prototype facility that will develop and commercialize the laboratory-proven Hot Water Extraction (HWE) process. The facility will be used by ASC, SUNY, network member universities from other ARC states, and bioenergy companies to develop products, commercial processes, and new start-ups.

The original period of performance for Grant No. PW-18924 covered the period from June 1, 2017 to May 30, 2019 but was subsequently extended to June 30, 2022. The grant agreement provided a budget of \$1,500,000 in ARC funds and required non-ARC matching funds of \$1,513,450 for total project costs of \$3,013,450. On September 9, 2020, ARC approved a reduction of the project scope to include only the workforce training component which reduced ARC funds by \$1,241,186 for a final ARC funded amount of \$258,814. ARC also approved a reduction to the required non-ARC matching funds in the amount of \$1,254,636 for a final non-ARC match share amount of \$258,814. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained the ARC Form SF 270 Request for Advance or Reimbursement for the period covering June 1, 2017 to June 30, 2022 that identified total ARC costs of \$188,154 (47%) and non-ARC matching costs of \$212,600 (53%) for a total project cost of \$400,754.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC Office of Inspector General to conduct a performance audit of Research Foundation for SUNY/ASC to determine compliance with the requirements of the ARC Grant No. PW-18924 for the grant period from June 1, 2017 to June 30, 2022.

The budgeted amounts for the grant are presented in Exhibit A below:

Exhibit A: Schedule of Grant Budget			
Category	Federal Amount	Non-Federal Amount	Total
Personnel	\$ 6,516	\$ -	\$ 6,516
Benefits	\$ 2,606	\$ -	\$ 2,606
Contractual	\$ 242,868	\$ -	\$ 242,868
Other	\$ -	\$ 258,814	\$ 258,814
Indirect	\$ 6,824	\$ -	\$ 6,824
Total	\$ 258,814	\$ 258,814	\$ 517,628

The objectives of our audit were to determine whether the Grantee used grant funding from the ARC in accordance with its ARC grant agreement and complied with financial management requirements, specifically to determine whether:

- Program funds were managed in accordance with the ARC and Federal grant requirements;
- Grant funds were expended as provided for in the approved grant budget;
- Internal grant guidelines, including program (internal) controls, were adequate and operating effectively;
- Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements);
- Matching requirements were met; and
- Reported performance measures were fair and reasonable.

The scope of this audit includes those costs addressed in Research Foundation for SUNY/ASC's system that specifically apply to ARC, such as, personnel, benefits, contractual, other, and indirect costs. We conducted this performance audit from October 2021 to February 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was conducted using the applicable requirements contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the ARC Code, and the Grant Agreement.

To meet the audit objectives, our overall methodology included the following:

- Obtaining an understanding of the Grantee's internal controls and documenting key controls over payroll, cash disbursements, cash receipts, procurement, equipment, and match costs through reviews of prior audit reports, organization charts, policies and procedures, inquiry of the Grantee's management and other available documentation,

assessing control risk, and determining the extent of testing needed based on the control risk assessment;

- Considering fraud risk through a team fraud brainstorming session and inquiries of the Grantee’s management about their understanding of the risks of fraud related to grant awards, programs and controls the Grantee has established to mitigate specific fraud risks, and whether management is aware of any allegations of fraud or suspected fraud;
- Selecting a sample of expenditures based on materiality calculated using GAO Financial Audit Manual sections 230.01 through 230.13 and auditing, on a test basis, evidence supporting the grant funds were expended during the grant period, were properly supported and allowable under both Federal and ARC requirements;
- Testing match costs to determine whether match requirements were met, were properly supported and allowable under both Federal and ARC requirements;
- Conducting interviews with the Grantee to evaluate the Grantee’s processes for accurately tracking and reporting on the grant performance measures.

Grantee’s Response to Audit Results

Our audit results were discussed with Mr. Peter McClain, Director of Accounting & Controls, for Alfred State College and Mr. Ryan Farrell, Vice President of Internal Audit, for Research Foundation/SUNY during the exit conference on January 23, 2023. Research Foundation for SUNY/ASC does not concur with our results. Research Foundation for SUNY/ASC’s reactions have been incorporated into the report and a copy of Research Foundation for SUNY/ASC’s response, in its entirety, can be found in **Attachment 1 – Research Foundation for SUNY/ASC’s Response** of this report. In addition, Castro & Co’s responses to Research Foundation for SUNY/ASC nonconcurrency can be found in **Appendix A** of this report.

Summary of Results

Castro & Co’s procedures determined that except for Findings 01, 02, and 03 related to financial management and internal controls described in **Appendix A**; Research Foundation for SUNY/ASC managed the grant funds in accordance with the ARC and Federal grant requirements. Grant funds were expended as provided for in the approved grant budget.

The Grantee’s internal guidelines, including program (internal) controls, were adequate and operating effectively, except for the internal control issues described in Findings 01, 02, and 03. We noted the Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant.

Accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements, except for the matters described in Findings 01, 02, and 03. We questioned \$2,314 of non-Federal match funds as a result of unallowable and unsupported match costs claimed.

We noted that Research Foundation for SUNY/ASC had originally reported a total of \$151,723 in ARC costs and \$156,750 in non-ARC matching costs covering June 1, 2017 to November 30, 2021; however, the Grantee was not able to provide documentation to support the non-ARC matching costs of \$156,750 originally claimed. We determined Research Foundation for SUNY/ASC was not in compliance with the match requirements as of November 30, 2021. See Finding 02 in [Appendix A](#).

Research Foundation for SUNY/ASC subsequently provided Castro & Co with a revised list of transactions and supporting documents for the non-ARC matching costs totaling \$212,600 that the Grantee was able to properly support. Research Foundation for SUNY/ASC reported a total of \$188,154 in ARC costs and \$212,600 in non-ARC matching costs; therefore, except for the questioned amount of \$2,314 as described in Finding 01, we determined the Grantee met the match requirements as of June 30, 2022. Except for the questioned costs of \$2,314, these matching funds were properly supported and allowable under both Federal and ARC requirements.

Based on our review of the Grantee’s procedures, the performance results reported to ARC were fair and reasonable.

The Exhibit B below presents costs claimed by the Research Foundation for SUNY/ASC and costs recommended as a result of the grant audit.

Exhibit B: Schedule of Claimed and Audit Recommended Costs							
Category	Claimed		Questioned Cost		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 6,516	\$ -	\$ -	\$ -	\$ 6,516	\$ -	\$ 6,516
Fringe	\$ 2,606	\$ -	\$ -	\$ -	\$ 2,606	\$ -	\$ 2,606
Contractual	\$ 160,896	\$ -	\$ -	\$ -	\$ 160,896	\$ -	\$ 160,896
Other	\$ -	\$ 212,600	\$ -	\$ 2,314 ¹	\$ -	\$ 210,286	\$ 210,286
Indirect	\$ 6,824	\$ -	\$ -	\$ -	\$ 6,824	\$ -	\$ 6,824
Supplies	\$ 11,312	\$ -	\$ -	\$ -	\$ 11,312	\$ -	\$ 11,312
Total	\$ 188,154	\$ 212,600	\$ -	\$ 2,314	\$ 188,154	\$ 210,286	\$ 398,440

¹ As a result of our audit, questioned costs were identified related to this budget category. For further explanation of the questioned costs identified, refer to Appendix A – Findings and Recommendations.

Appendix A – Findings and Recommendations

Finding 01: Unallowable or Unsupported Non-ARC Matching Funds Questioned Costs

Condition:

As part of our procedures, we reviewed receipts and supporting documentation submitted for non-ARC matching costs incurred during the grant period. Research Foundation for State University of New York (SUNY) on behalf of Alfred State College (ASC) (the Grantee or Research Foundation for SUNY/ASC) claimed the following matching funds; however, under 2 CFR Title 2 Subtitle A Chapter II Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance or 2 CFR Part 200), these costs incurred were deemed unallowable or unsupported match expenses:

- For three of 13 samples tested, costs incurred for meals included alcoholic beverages, which resulted in questioned costs of \$98.
- For five of 13 samples tested, costs incurred for lodging exceeded the General Services Administration (GSA) Lodging Per Diem rate, which resulted in questioned costs of \$1,362. Supporting documentation provided did not document why the lodging exceeded the GSA rate nor whether the excess costs were approved by the operations manager or designee in accordance with Research Foundation’s Travel Handbook.
- For eight of 13 samples tested, receipts for meal costs did not include sufficient detail to verify whether costs incurred were allowable or no receipt was provided, which resulted in questioned costs of \$854.

Criteria:

2 CFR Part 200.306, Cost sharing or matching, states:

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (3) Are necessary and reasonable for accomplishment of project or program objectives
- (4) Are allowable under subpart E of this part [Auditor’s note: Subpart E – Cost Principles begins with 2 CFR §200.400]
- (7) Conform to other provisions of this part, as applicable.
 - (j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

2 CFR Part 200.403, Factors affecting allowability of costs, states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (g) Be adequately documented.

2 CFR Part 200.423, Alcoholic beverages, states:

Costs of alcoholic beverages are unallowable.

2 CFR Part 200.475, Travel costs, states:

(b) **Lodging and subsistence.** Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

- (1) Participation of the individual is necessary to the Federal award; and
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

(d) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205-46(a)).

The Research Foundation *Travel Handbook*, states:

Method II (Receipted Lodging)

Documentation Requirements: Use of receipts to document lodging expenses is required. When a traveler is in overnight travel status, lodging will be reimbursed at the actual cost, up to the maximum federal allowance (see the GSA Web site).

Federal Per Diem Rates

The Research Foundation uses the U.S. General Services Administration (GSA) per diem rates to establish maximum reimbursement except for travel to Alaska, Hawaii, and Puerto Rico...Any amounts over the federal per diem rates must be approved by the operations manager or designee and must be documented as to why the rate is over the maximum.

Rates for Reimbursement for Independent Contractors

When using per diem allowances, rates from the U.S. General Services Administration must be used for meals and lodging.

Adequate Documentation by Contractor

In order for an independent contractor's travel expenses to be considered nontaxable income, the following documentation must be provided:

- a record describing each element of the expenditure (amount, date, place, business relation, and purpose) made at or near the time the expense was incurred; such record is to be supported by receipts;

Documentation Requirements Receipts

Receipts are required for reimbursement.

Cause:

Research Foundation for SUNY/ASC did not have adequate controls in place to ensure unallowable and unsupported costs incurred were excluded from the claimed matching funds.

Effect:

The absence of adequate controls prevented Research Foundation for SUNY/ASC from identifying and removing unallowable and unsupported costs and ensuring compliance with the match requirements prior to requesting reimbursements from ARC. Therefore, ARC could require the Grantee to exclude total questioned costs in the amount of \$2,314 from the total non-Federal match funds.

Recommendations:

We recommend:

1. The Grantee revise the final ARC Form SF 270 Request for Advance or Reimbursement to exclude total questioned costs in the amount of \$2,314 from the total non-Federal match funds.
2. The Grantee develop policies and procedures to ensure that costs claimed are allowable and adequately supported in accordance with the regulations.

Grantee's Response:

Grantee agrees that the alcohol and unsupported meal expenditures totaling \$952 should be excluded from the non-Federal match and a revised SF 270 provided to the sponsor reflecting that change. Grantee disagrees with the finding that lodging costs exceeding GSA rate are unallowable. These matching costs meet all the criteria under OMB guidance 2 CFR Part 200.306, and the third-party partner is not considered a federal contractor. The expenses are not on behalf of federal employee travelers where the GSA rates for lodging would apply. As a publicly traded entity, travel expenses are subject to shareholder oversight through corporate filings with the SEC and, thus, an implicit justification for reasonableness of price exists through the corporate structure. Grantee intends to further educate employees on the restrictions of cost share match and more thoroughly ensure that all matching costs align with sponsor direct cost requirements, removing any unallowable expenses prior to loading into the accounting system.

Auditor's Response:

The Grantee partially concurred with the finding but disagreed with the lodging costs exceeding the GSA rate deemed as unallowable costs. In determining allowability, the Uniform Guidance states that for costs to be allowable under Federal awards, costs must be consistent with policies

and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. It is the responsibility of the Grantee to ensure that grant funds including costs from third-party partners are managed in accordance with the ARC and Federal grant requirements. Castro & Co reviewed the Grantee's response and noted the response did not alter the finding.

Finding 02 - Lack of Internal Records to Support Non-ARC Matching Costs

Condition:

As part of our procedures, we obtained and reviewed a list of transactions for non-ARC matching cost expenditures incurred during the grant period covering June 1, 2017 to November 30, 2021. We noted that Research Foundation for SUNY/ASC had used this list of transactions to report a total of \$156,750 in non-ARC matching costs on the ARC Form SF 270 Request for Advance or Reimbursement for the period covering August 1, 2021 to November 30, 2021; however, Research Foundation for SUNY/ASC was not able to provide Castro & Co back-up documentation to support the non-ARC matching costs of \$156,750 originally claimed. We determined the Grantee was not in compliance with the match requirements as of November 30, 2021.

Research Foundation for SUNY/ASC subsequently provided Castro & Co with a revised list of transactions and supporting documents for the non-ARC matching costs totaling \$212,600 for the period of June 1, 2017 to June 30, 2022 that Research Foundation for SUNY/ASC was able to properly support.

Criteria:

2 CFR Part 200.306, Cost sharing or matching, states,

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

Cause:

Research Foundation for SUNY/ASC did not have policies and procedures in place to ensure supporting documentation for non-ARC matching costs were maintained on file throughout the grant period.

Effect:

Failure to ensure that financial records for ARC funded and non-ARC matching costs used to prepare reimbursement requests are complete and accurate may result in inaccurate reporting to ARC.

Recommendation:

3. We recommend the Research Foundation for SUNY/ASC ensure non-ARC matching costs are properly reconciled for accuracy and maintained in accordance with the 2 CFR Title 2 Subtitle A Chapter II Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Grantee's Response:

Grantee agrees with the finding. The initial cost share documentation from the third-party partner was prematurely loaded into the accounting system prior to receiving substantiating documentation. This oversight was identified in an internal audit by the Research Foundation which began in August 2021 but was unable to be rectified prior to the commencement of the OIG audit in October of that same year. Grantee has since worked with the third-party partner to produce substantiated cost share match sufficient to meet program requirements prior to grant close out and provided that documentation to the audit team. Grantee intends to ensure that future cost share can be substantiated prior to loading into the accounting system.

Auditor's Response:

Research Foundation for SUNY/ASC concurred with the finding; therefore, no further comment is necessary.

Finding 03 – Untimely Quarterly Progress Reporting

Condition:

As part of our procedures, we reviewed interim and final performance progress reports (PPR) submitted by the Research Foundation for SUNY/ASC during the grant period from June 1, 2017 to June 30, 2022. Based on our review, we noted the following:

- In seven (7) instances, the Grantee submitted PPRs after 30 days from the close of the reporting period.
- In two (2) instances, the Grantee did not submit PPRs for the grant periods of October 1, 2019 to January 31, 2020 and December 1, 2021 to February 28, 2022 as required by ARC.

Criteria:

The ARC *Grant Administration Manual for ARC Non-Construction Grants*, dated February 2020, states,

Reports

Reporting Intervals

The reporting period begins with the start date of the grant agreement. ARC requires interim progress reports every 120 days or every four months and a final report at the end of your project's period of performance. Reports are due no later than 30 days after the close of a reporting period.

Cause:

Research Foundation for SUNY/ASC did not have policies and procedures in place to obtain project performance narratives from the Project Investigator (PI) in a timely manner and ensure quarterly PPRs were submitted to ARC within 30 days from the close of the reporting period.

Effect:

Without policies and procedures to ensure timely quarterly progress reporting, inaccurate financial and performance information may be reported to ARC.

Recommendation:

4. We recommend the Grantee develop policies and procedures to ensure performance progress reports are submitted to ARC no later than 30 days after the close of a reporting period.

Grantee's Response:

Grantee agrees with the finding. The two missed reports corresponded to the timeframes spanning the two no- cost extensions provided by the sponsor where a report submission was not included in the paperwork until after the agreement had been extended. Additionally, grantee's sponsored programs office sent reminders to the PI regarding upcoming requirements for reports which were submitted late. Grantee intends to continue reminding PI of upcoming report due dates - including due dates produced from the extension of a grant - and, when appropriate, escalate the reminder to the PI's supervisor.

Auditor's Response:

Research Foundation for SUNY/ASC concurred with the finding; therefore, no further comment is necessary.

Attachment 1 – Research Foundation for SUNY/ASC’s Response



Office of the Vice President for
Finance and Administration
Huntington Administration Building
10 Upper College Drive
Alfred, NY 14802
Ph: 607-587-3985
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January 26, 2023

Castro & Company, LLC
1635 King Street
Alexandria, VA 22314
(703) 229-4440

Subject: Research Foundation for State University of New York (SUNY) on behalf of Alfred State College (ASC) (Research Foundation for SUNY/ASC) Response to Castro & Company, LLC’s Performance Audit of Grant Number PW-18924.

Research Foundation for SUNY/ASC takes exception to and disagrees with a part of one of Castro & Company, LLC’s findings presented in the audit report of Grant Number PW-18924 with a grant performance period of June 1, 2017 to June 30, 2022. Explanations and reasonings associated with each finding are detailed below.

Finding #1:

Grantee agrees that the alcohol and unsupported meal expenditures totaling \$952 should be excluded from the non-Federal match and a revised SF 270 provided to the sponsor reflecting that change. Grantee disagrees with the finding that lodging costs exceeding GSA rate are unallowable. These matching costs meet all the criteria under OMB guidance 2 CFR Part 200.306, and the third-party partner is not considered a federal contractor. The expenses are not on behalf of federal employee travelers where the GSA rates for lodging would apply. As a publicly traded entity, travel expenses are subject to shareholder oversight through corporate filings with the SEC and, thus, an implicit justification for reasonableness of price exists through the corporate structure. Grantee intends to further educate employees on the restrictions of cost share match and more thoroughly ensure that all matching costs align with sponsor direct cost requirements, removing any unallowable expenses prior to loading into the accounting system.

Finding #2:

Grantee agrees with the finding. The initial cost share documentation from the third-party partner was prematurely loaded into the accounting system prior to receiving substantiating documentation. This oversight was identified in an internal audit by the Research Foundation which began in August 2021 but was unable to be rectified prior to the commencement of the OIG audit in October of that same year. Grantee has since worked with the third-party partner to produce substantiated cost share match sufficient to meet program requirements prior to grant close out and provided that documentation to the audit team. Grantee intends to ensure that future cost share can be substantiated prior to loading into the accounting system.

Finding # 3:

Grantee agrees with the finding. The two missed reports corresponded to the timeframes spanning the two no-cost extensions provided by the sponsor where a report submission was not included in the paperwork until after the agreement had been extended. Additionally, grantee’s sponsored programs office sent reminders to the PI regarding upcoming requirements for reports which were submitted late. Grantee intends to continue reminding PI of upcoming report due dates – including due dates produced from the extension of a grant – and, when appropriate, escalate the reminder to the PI’s supervisor.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy R. Sortore'.

Timothy R. Sortore
Vice President for Finance and Administration

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