

**Georgia Institute of Technology/Georgia Tech Research Corporation  
A-133 Coordinated Audit – Research and Development Cluster  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2005**

**Georgia Institute of Technology/Georgia Tech Research Corporation  
A-133 Coordinated Audit – Research and Development Cluster  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2005**

February 24, 2005

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

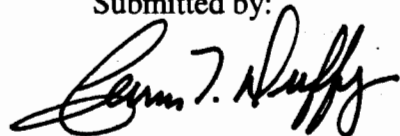
This report has been prepared to present the follow up and corrective actions taken by Georgia Institute of Technology and Georgia Tech Research Corporation on prior year audit findings as identified in the audit reports covering services performed for the Georgia Institute of Technology/Georgia Tech Research Corporation as part of the A-133 Coordinated Audit for the year ended June 30, 2004. This report has been prepared in accordance with the requirements of OMB Circular A-133, Section .300 (f), Auditee Responsibilities.

The FY 2004 A-133 Coordinated Audit incorporated the work of three auditors as identified below:

1. Department of Audits of the State of Georgia
2. Defense Contract Audit Agency
3. Grant Thornton, LLP, Certified Public Accountants

The first page of the report identifies the audit findings provided by each auditor and the status of corrective action plans. The balance of the report describes the individual findings, recommendations, questioned costs, and management response for the year ended June 30, 2004. In addition, this section includes a description of the corrective action steps taken and the current status.

Submitted by:



Charles T. Duffy  
Director

**Georgia Institute of Technology/Georgia Tech Research Corporation  
A-133 Coordinated Audit – Research and Development Cluster  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2005**

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

**Status of FY 2004 Prior Year Findings and Questioned Costs**

**Current Year**

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**Department of Audits of the State of Georgia**

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.

Contact Person: Charles T. Duffy, Director, Grants and Contracts Accounting Office  
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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 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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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.

**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**

**Georgia Institute of Technology/Georgia Tech Research Corporation**  
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FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Failure to Follow Travel Policies, Regulations and Procedures

Finding Control Number: FS-503-04-02

Condition: Georgia Institute of Technology failed to comply with and consistently follow its travel policies, regulations and procedures as outlined in Chapter 6 of the Business and Finance Manual.

Criteria: The Georgia Institute of Technology's Business and Finance Manual, Chapter 6.2, Travel Authorization Procedures/TAR Form, Travel Authority Request, states that "University System of Georgia regulations require that a travel authorization form be completed and approved for out-of-state trips or in-state trips not covered under standing authorization prior to the dates of travel". Chapter 6.13, Travel Reimbursement/TES Form, Certification/Approval of Travel Expense Statements, Paragraph 2, states "Reimbursement requests should be submitted to Accounts Payable within 10 working days after completion of the trip".

Questioned Cost: N/A

Information: Test of Controls were performed on the Institute's travel authorization, approval and payment processes. Tests of Controls were performed on twenty five (25) transactions. Additional substantive transactional testing was performed on forty six (46) items resulting in testing of seventy one (71) total transactions. Our testing revealed the following deficiencies:

1. Five (5) instances were noted where Travel Authority Request forms were not properly signed and dated by the employee and/or the supervisor.
2. Eleven (11) Travel Authority Request forms were dated subsequent to the first date of travel in violation of the "pre approval" policy.
3. Twenty (20) travel expense statements were submitted for reimbursement in excess of 30 days after the last date of travel. Several were submitted more than six months after the date of travel and one (1) was submitted over a year after the travel had occurred.
4. Calculation errors were noted on two (2) travel expense statements resulting in underpayments of \$46.62.
5. Two (2) travel expense statement had duplicate billings which resulted in overpayments of \$272.38.



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EXPENDITURES/LIABILITIES/DISBURSEMENTS

Failure to Follow Travel Policies, Regulations and Procedures

Finding Control Number: FS-503-04-02 (Continued)

Cause: The Georgia Institute of Technology failed to follow established travel policies and procedures to ensure that travel expenses are authorized prior to the occurrences of travel; that travel reimbursement requests are submitted in a timely manner; and that payments are made according to established guidelines.

Effect: By not consistently following travel policies, regulations, and procedures, the Georgia Institute of Technology has placed itself in a position where travel expenses incurred could be unauthorized and/or incorrectly reimbursed.

Recommendation: The Georgia Institute of Technology should implement procedures and controls to ensure that all travel policies and procedures are properly followed.

**Management Response:**

Institute management concurs with the audit recommendation that the Institute needs to implement additional controls to ensure that all travel policies and procedures are properly followed. Specific action steps to be taken to address these needs are described below:

1. Institute policy (section 6.2) has been revised to require that Travel Authorization Request forms be submitted with the reimbursement request so that Accounts Payable auditors can review forms for proper and complete pre-approval authorization.
2. Institute policy (section 6.13) has been revised to require additional review and approval by senior management for Travel Expense Statements submitted more than 30 calendar days after trip completion.
3. Additional audit controls have been implemented to improve the accuracy of Travel Expense Statement reimbursement amounts, including formulas on the Travel Expense Statement Form and the collection of additional documentation for trips that are funded from multiple sources.

Contact Person: Tom Pearson, Director, Procurement Services

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**Based on the work performed, the Corrective Action Plan is considered fully implemented.**

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**Grant Thornton, LLP A-133 Compliance Requirements**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING -RESEARCH AND DEVELOPMENT CLUSTER

GT 04-1 Progress Reports Filed Late (Finding Control Number: FA-503-04-03)

**Finding No. 04-1 – Progress Reports Filed Late**

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

Statement of Condition

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

Criteria

The reporting compliance requirement mandates the submission of certain reports in accordance with the grants and contracts entered into by GTRC and GIT, which contain specific dates and deadlines for submission. Frequently, these reports are the only required output of a given contract and, consequently, should be filed timely.

Effect

Since the reports listed at Exhibit I were ultimately filed, the effect of untimely filing is the possible delay of other projects which were related to GTRC and GIT grants and contracts.

Cause

The cause of 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 required contractual deliverables 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 -RESEARCH AND DEVELOPMENT CLUSTER**

GT 04-1 Progress Reports Filed Late (Finding Control Number: FA-503-04-03) (Continued)

Exhibit I - Listing of Progress Reports Filed Late

<u>Agency</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Report Type</u>	<u>Date Due</u>	<u>Date Mailed</u>
Commerce	11.431	NA03OAR4310113	R4760	Annual Performance Report	3/30/2004	6/18/2004
Commerce	11.430	SEGM-2003-19A	R4709	Annual Report	11/30/2003	12/1/2003
Defense – Air Force	12.800	F49620-03-1-0317	R4493	Performance Report	9/1/2003	10/3/2003
Education	84.133	K-10-826	T5917	Performance Report	10/31/2003	2/28/2005
NASA	43.000	NAS3-00179/C-80126-A	R4790	Procedures, Variables, Schedule Report	4/4/2004	4/26/2004
NASA	43.000	NAS3-00179/C-80126-A	R4790	Related Electronic Model Files	4/4/2004	4/26/2004
NASA	43.000	NAS1-02056-6006	A6950	Technical Progress Report	9/20/2003	10/7/2003
NASA	43.000	NAS1-02056-6006	A6950	Technical Progress Report	1/20/2004	1/21/2004
NASA	43.000	1217060	R2330	Technical Progress Report	9/28/2003	2/3/2004
NASA	43.000	1217060	R2330	Annual Report	4/29/2004	6/18/2004
NASA	43.000	NCC3-982	R3989	Quarterly Progress Report	10/15/2003	10/16/2003
NASA	43.000	NCC3-982	R3989	Quarterly Progress Report	1/15/2004	1/21/2004
NSF	47.041	CTS-0238888	R4367	Annual Report	4/30/2004	6/22/2004
NSF	47.041	EEC-9402723	R8375	Annual Progress Report	8/15/2003	11/14/2003
NSF	47.070	ANI-0117840	R3269	Annual Report	5/31/2004	6/8/2004
NSF	47.076	HRD-9817632	V5018	Annual Performance Report	4/1/2004	N/A

Management Response

We concur with this finding and recommendation. Prior to December 31, 2005, a review will be performed to consider the possible need to improve the following efforts currently being made to ensure that all required contractual deliverables are submitted to the contracting agencies in a timely fashion:

1. The Office of Sponsored Programs (OSP) reviews all RFPs and solicitations to identify all contractual deliverable requirements, which are reviewed with the proposed Project Director/Principal Investigator (PD/PI) prior to proposal submission. If needed, this review is completed again, prior to acceptance of the agreement.
2. As soon as a new sponsored project is received, OSP reviews the agreement and prepares (for the PD/PI) a listing, including the dates that items are due, of all contractually required deliverables that are the responsibility of the PD/PI. This deliverable schedule is presented to the PD/PI for review, and an opportunity is provided to give OSP feedback on the schedule as needed.
3. 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. In addition, we make the full grant/contract document and associated terms & conditions for each sponsored award available as a scanned file using our web-based contract information system.

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**Grant Thornton, LLP A-133 Compliance Requirements**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING -RESEARCH AND DEVELOPMENT CLUSTER

GT 04-1 Progress Reports Filed Late (Finding Control Number: FA-503-04-03) (Continued)

Management Response (Continued)

4. OSP prepares and distributes to all campus units a periodic report of overdue deliverables for all sponsored research projects. This is a list of all required deliverable items not known by OSP to be satisfied or otherwise submitted to the sponsoring agency. The report is sent to members of upper administration, including Deans, School Chairs and Lab/Center Directors.
5. OSP initiates special follow-up action by way of memos directly to PD/PIs for any deliverable items that are approximately 60 or more days overdue, with special attention given to the oldest items.
6. Campus newsletter articles have been issued to emphasize the importance of timely deliverable submission or the need to seek timely relief (extension of due date) from sponsors for required deliverables.

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**Based on the work performed, the Corrective Action Plan is considered fully implemented.**

**Georgia Institute of Technology/Georgia Tech Research Corporation**  
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**Grant Thornton, LLP A-133 Compliance Requirements**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING -RESEARCH AND DEVELOPMENT CLUSTER

GT 04-2 Financial Reports Filed Late (Finding Control Number: FA-503-04-04)

**Finding No. 04-2 – Financial Reports Filed Late**

See Exhibit II 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 filed on time, as specified in the grant and contractual agreements.

Criteria

The reporting compliance requirement mandates the submission of certain reports in accordance with the grants and contracts entered into by GTRC and GIT, which contain specific dates and deadlines for submission. Frequently, these reports are the only required output of a given contract and, consequently, should be filed on time.

Effect

Since the reports listed at Exhibit II were ultimately filed, the effect of untimely filing is the possible delay of other projects which were related to GTRC and GIT grants and contracts.

Cause

The cause of 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 required contractual deliverables are submitted to the contracting agencies by the specified due dates.

Questioned Cost

None.

**Georgia Institute of Technology/Georgia Tech Research Corporation  
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REPORTING -RESEARCH AND DEVELOPMENT CLUSTER**

GT 04-2 Financial Reports Filed Late (Finding Control Number: FA-503-04-04) (Continued)

Exhibit II - Listing of Financial Reports Filed Late

<u>Agency</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Report Type</u>	<u>Date Due</u>	<u>Date Mailed</u>
NSF	47.076	DGE0202757	N7180	NSF Form 961	12/1/2003	12/10/2003
Energy	81.086	DE-FC36-01GO10620	R4640	SF269A	4/30/2004	9/20/2004
Energy	81.086	DE-FC36-01GO10620	R4640	SF269A	7/30/2004	9/20/2004
Energy	81.086	DE-FC36-97GO10220	R4630	SF269A	4/30/2004	9/20/2004
Energy	81.086	DE-FC36-97GO10220	R4630	SF269A	7/31/2004	9/20/2004
Energy	81.086	DE-FC36-99GO10416	R4631	SF269A	4/30/2004	9/17/2004
Energy	81.086	DE-FC36-99GO10416	R4631	SF269A	7/31/2004	9/17/2004

Management Response

We concur with the finding and recommendation identified above concerning the completion of required reports in a timely manner. Complete financial information for the periods covered by the reports identified was not available to submit the reports in a timely manner. Action was taken to submit the reports as soon as possible. During the current year special attention will be focused on additions to staff training programs to assure the maintenance of all required financial details to permit submission of all invoices and financial reports in a timely manner. This work will be completed on or before December 31, 2005.

Contact Person: Charles T. Duffy, Director, Office of Grants & Contracts Accounting  
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**Based on the work performed, the Corrective Action Plan is considered fully implemented.**

**Georgia Institute of Technology/Georgia Tech Research Corporation**  
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**Grant Thornton, LLP A-133 Compliance Requirements**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING -RESEARCH AND DEVELOPMENT CLUSTER

GT 04-3 Required Reports not Logged for Monitoring (Finding Control Number: FA-503-04-05)

See Exhibit III 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 reports listed in Exhibit III on this schedule. Therefore, submission of these reports is not being monitored.

Criteria

The reporting compliance requirement mandates the submission of certain reports in accordance with the grants and contracts entered into by GTRC and GIT.

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 from the schedule of deliverables.

Recommendation

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

Questioned Costs

None

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REPORTING -RESEARCH AND DEVELOPMENT CLUSTER

GT 04-3 Required Reports not Logged for Monitoring (Finding Control Number: FA-503-04-05)

(Continued)

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

<u>Agency</u>	<u>CFDA No.</u>	<u>Contract No.</u>	<u>Reference Number</u>	<u>Report</u>
Education	84.133	H133E020720	R4151	Performance Report due date is incorrect

Management Response

We concur with this finding and recommendation. The Performance Reports section of the original grant award for this project indicated that the sponsor (U.S. Department of Education) would provide additional information, including the due date, concerning the performance reports at a later time. To facilitate initiation of the project award, OSP initially used the standard Department of Education grant regulations (EDGAR) to establish the report due date in our deliverable schedule at 90 days after the end of each budget period. In February 2004, OSP was forwarded an E-mail that our Principal Investigator had received from the sponsor's representative stating that the Annual Performance Report is due by June 30<sup>th</sup> each year. OSP then modified the project deliverable schedule to reflect this new information about the report due dates. The Annual Performance Report in question was submitted to the sponsor on time; however, OSP has re-emphasized with the responsible campus department the need to share information of this nature with our office in a more timely manner so our records can be updated. The updating of this project record was completed in February 2004.

Contact Person: G. Duane Hutchison, Director, Office of Sponsored Programs  
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**Based on the work performed, the Corrective Action Plan is considered fully implemented.**



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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SUBRECIPIENT MONITORING – RESEARCH AND DEVELOPMENT CLUSTER

GT 04-4 Deficient Monitoring Procedures (Finding Control Number: FA-503-04-06)

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

**Finding No. 04-4**

Statement of Condition

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

Criteria

The OMB Circular A-133 Compliance Supplement states that, the grant administrator/pass through entity (GTRC and GIT) is required to adequately monitor the subrecipient by obtaining a letter indicating if a Single Audit was completed. If a Single Audit was completed and there were material weaknesses, material instances of noncompliance, and/or findings were noted, the pass through entity is required to obtain a copy of the audit report and corrective action plan from the subrecipient.

Effect

GTRC's and GIT's system for ensuring timely and proper filing was not operating adequately with respect to these monitoring procedures. Required communication from the subrecipients may not be obtained timely, if at all.

Cause

The database report run did not pick up all non-profit subrecipients.

Recommendation

The grant administrator/pass through entity should consider generating a detailed report of all subrecipients on a yearly basis and matching the report to a master list of all subrecipients to ensure appropriate letters are being sent.

Questioned Cost

None.

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Subrecipient Monitoring-Research and Development Cluster**

GT 04-4 Deficient Monitoring Procedures (Finding Control Number: FA-503-04-06) (Continued)

Exhibit IV - Listing of Subrecipients that were not monitored

<u>Agency</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Reference Number</u>	<u>Subrecipient</u>	<u>Date Letter Sent</u>	<u>Date Received</u>
NASA	43.000	NCC3-982	R3989	Florida A & M University	2/24/2005	Not received
NASA	43.000	NCC3-982	R3989	Ohio State	2/24/2005	3/3/2005
NSF	47.041	EEC-9731643	R1161	University of Georgia Research Foundation	2/24/2005	4/13/2005
NSF	47.041	EEC-9402723	R8375	University of California	2/24/2005	5/25/2005
NSF	47.041	B-21-800-G6	Y0001	North GA College & State University	6/1/2005	Not received
NSF	47.041	B-21-800-G4	Y0001	University of Georgia	6/1/2005	Not received
NSF	47.041	B-21-800-G2	Y0001	GA Southern University	6/1/2005	Not received
NSF	47.076	B-21-800-G1	Y0001	Armstrong Atlantic State University	6/1/2005	Not received
Education	84.133	H133E020720	R4151	Extended Home Living Services	2/24/2005	Not received
DHHS	93.279	1 R01 DA11541-01A1	R1427	Mercer University	2/24/2005	2/28/2005
DHHS	93.279	1 R01 DA11541-01A1	R1427	Harvard University	2/24/2005	3/25/2005
DHHS	93.279	1 R01 DA11541-01A1	R1427	Foundation at New Jersey Institute	2/24/2005	3/28/2005
Education	84.133	K-10-827-G4	T5979	Birmingham Independent Living	6/6/2005	Not received
Education	84.133	K-10-827-G11	T5979	Blue Ridge Comm. College	6/6/2005	Not received
Education	84.133	K-10-827-G5	T5979	Boley Centers Inc	6/6/2005	Not received
Education	84.133	K-10-827-G8	T5979	Center for Accessible Living	6/6/2005	Not received
Education	84.133	K-10-827-G2	T5979	Coalition for Citizens with Disabilities	6/6/2005	Not received
Education	84.133	K-10-827-G18	T5979	East Tennessee Tech Access Center	6/6/2005	Not received
Education	84.133	K-10-827-G6	T5979	Georgia ADA Exchange Inc	6/6/2005	Not received
Education	84.133	K-10-827-G15	T5979	GA Comm. of Employ. of People with Disabilities	6/6/2005	Not received
Education	84.133	K-10-827-G19	T5979	Georgia Southern University	6/6/2005	Not received
Education	84.133	K-10-827-G26	T5979	Life of Mississippi	6/6/2005	Not received
Education	84.133	K-10-827-G9	T5979	Partnerships for Assistive Tech	6/6/2005	Not received
Education	84.133	K-10-827-G7	T5979	SC Employment Security Commission	6/6/2005	Not received
Education	84.133	K-10-827-G24	T5979	South Carolina Dept of Education	6/6/2005	Not received
Education	84.133	K-10-827-G23	T5979	Southern Regional Education Board	6/6/2005	Not received
Education	84.133	K-10-827-G3	T5979	Tennessee Disability Coalition	6/6/2005	Not received
Education	84.133	K-10-827-G13	T5979	University of South Carolina Research Foundation	6/6/2005	Not received
Education	84.133	K-10-827-G21	T5979	University of Georgia Research Foundation	2/24/2005	4/13/2005
Education	84.133	K-10-826-G6	T5917	University of Iowa	2/24/2005	Not received
Education	84.133	K-10-826-G8	T5917	University of Washington	6/6/2005	Not received
Education	84.133	K-10-826-G7	T5917	World Institute on Disability	6/6/2005	Not received
Education	84.133	K-10-826-G10	T5917	Adaptive Environments Center Inc	6/6/2005	Not received
Education	84.133	K-10-843-G5	T6241	Washington University	6/6/2005	Not received
Education	84.133	K-10-843-G1	T6241	Sheperd Center Inc	6/6/2005	Not received
Education	84.133	K-10-843-G2	T6241	Children's Healthcare of Atlanta	6/6/2005	Not received

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Subrecipient Monitoring-Research and Development Cluster**

GT 04-4 Deficient Monitoring Procedures (Finding Control Number: FA-503-04-06) (Continued)

**Management Response**

We concur with this finding and recommendation. Our database reporting issues have been corrected and all FY05 sub-recipient monitoring letters have been sent. This correction was completed by June 30, 2005.

Contact Person: G. Duane Hutchison, Director, Office of Sponsored Programs

Telephone: 404-894-4819; Fax 404-894-7002; E-Mail: duane.hutchison@osp.gatech.edu

**Based on the work performed, the Corrective Action Plan is considered fully implemented.**

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES – RESEARCH AND DEVELOPMENT CLUSTER

GT 04-5 (DCAA 04-01) Late Salary Cost Transfers (Finding Control Number: FA-503-04-07)

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

**Finding No. 04-5 (Other Auditor’s Report – Defense Contract Audit Agency “DCAA”)**

Statement of Condition

GIT/GTRC/GTARC’s accounting system identifies labor transfers. The DCAA examination of the fiscal 2004 costs disclosed labor transfers of costs incurred in a prior fiscal year. Consequently, the transfers essentially invalidate the signed ASR for the prior year(s) involved. Additionally, transactions made within the fiscal year disclosed labor transfers past the Grants & Contract’s (G&C) 30 and 60 day limitation.

Criteria

The Office of Management and Budget (OMB) Circular A-21, sections 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’s policy that personnel under the Plan Confirmation System sign an Annual Statement of Reasonableness (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 Confirmations System, requiring labor transfer costs to be made within 30 days and after 60 days, the transfer must be justified. This procedure is supported by Salary, Planning and Distribution (SPD) department procedures and practices.

Effect

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

Cause

GIT’s personnel do not always transfer the costs on a timely basis. The condition results from the fact that GIT/GTRC/GTARC operates on a budgeting system where work is planned a fiscal year in advance, so there will always be changes. G&C has been monitoring late transfers on a monthly basis by evaluating the reasons and following up with department heads, and is providing training to the personnel who continue to transfer labor costs 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

The DCAA recommends that GIT/GTRC/GTARC continue to monitor, inform, and train personnel who continue to transfer costs beyond the 30 and 60 day limitations and fiscal year to ensure costs get properly allocated to contracts and to ensure correct bilings to the Government. In addition, DCAA recommends the auditee implement a performance standard, applicable to timely transfers into its personnel performance appraisal process in order to minimize late transfers.

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES – RESEARCH AND DEVELOPMENT CLUSTER

GT 04-5 (DCAA 04-01) Late Salary Cost Transfers (Finding Control Number: FA-503-04-07)

(Continued)

Questioned Cost

None.

Exhibit V - Listing of programs with late salary cost transfers

<u>Agency</u>	<u>CFDA No.</u>	<u>Contract No.</u>	<u>Reference Number</u>
Navy	12.000	N00164-99-C-0020	R1535
Navy	12.000	N00178-02-M-1053	R4286
Dept. of Defense	12.000	Jan-52	A6398
Dept. of Defense	12.000	01-D-8227-0002	A6869
Army	12.100	DAAD19-00-1-0352	R2561
Army	12.100	DAAD19-00-1-0518	A6375
Navy	12.300	N00014-04-1-0095	R5066
Navy	12.300	N00014-00-1-0074	R1917
Navy	12.300	N6604-99-3-4671	R1881
Navy	12.300	N00014-98-1-0209	R0868
Air Force	12.800	F33615-99-2-5500	R1697
Air Force	12.800	F33615-00-C-5018	R2906
Air Force	12.800	F49620-03-1-0176	R4386
Air Force	12.800	F49620-01-1-0017	R2681
NASA	43.000	NGT5-40116	R2836
NASA	43.000	NCC-1-02043	R4439
Dept. of Energy	81.000	DE-FC26-03NT41448	R4609
Dept. of Energy	81.000	DE-FC26-02NT41628	R4465
Dept. of Energy	81.086	DE-F36-00ID13879	R4635

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ALLOWABLE COSTS/COST PRINCIPLES – RESEARCH AND DEVELOPMENT CLUSTER

GT 04-5 (DCAA 04-01) Late Salary Cost Transfers (Finding Control Number: FA-503-04-07)

(Continued)

**Management Response**

Georgia Institute of Technology and the management of the Office of Grants and Contracts Accounting, the office responsible for the operation of the Plan Confirmation System, recognizes the need to continue efforts to ensure that salary and wage costs get properly recorded to contract ledgers in a timely manner. 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 as described below.

Major changes made in FY 2005

1. Implementation of a new Workload Assignment Form Distribution System that sends the forms directly to employees using E-Mail Notification. This system replaced procedures that involved the preparation and distribution of printed forms that required more time to get the information to covered employees.
2. Implementation of new reporting procedures that identify the departments, project directors and employees covered by late salary distribution changes. This change was implemented to help identify departments, project directors, and employees where additional training in the system requirements is needed.

Major changes planned for FY 2006

1. A new Workload Assignment Form format will be implemented for July 2005 that presents additional information about each sponsored project that is designed to help employees accurately identify the specific sponsored project benefiting from their effort. The new format provides improved instructions, the full name of the sponsor, the project title, and the project start and term dates.
2. A new monthly Expenditure Rate Report will be implemented for the fall of 2005 that includes summary financial details and a "Burn Chart" to help project directors identify significant spending problems that need to be corrected. This report is designed to help identify sponsored projects with expenditures in an exception status, which may be caused by inaccurate effort reporting.

The use of these new procedures, combined with continued training programs, should help the Institute realize the plans to ensure that salary charges are properly recorded in an accurate and timely manner to the benefiting sponsored project.

Contact Person: Charles T. Duffy, Director, Office of Grants & Contracts Accounting  
Telephone: 404-894-1026; Fax 404-894-5519; E-Mail: [chuck.duffy@business.gatech.edu](mailto:chuck.duffy@business.gatech.edu)

**Based on the work performed, the Corrective Action Plan is considered fully implemented.**

**Georgia Institute of Technology/Georgia Tech Research Corporation  
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**Defense Contract Audit Agency (DCAA) – Internal Control Requirements  
FINDINGS RELATED TO FEDERAL AWARDS**

DCAA 04-1 Internal Control over Compliance Related to Labor Transfers  
(Finding Control Number: FA-503-04-07)

**Internal Control over Compliance Related to Labor Transfers**

a. Condition:

We noted that GIT/GTRC/GTARC's accounting system identifies labor transfers. However, GIT's personnel do not always transfer the costs on a timely basis. The Office of Management and Budget (OMB) 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's policy that personnel under the Plan Confirmation System sign an Annual Statement of Reasonableness (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 transfer costs be made within 30 days, and after 60 days, the transfers must be justified. This procedure is supported by Salary, Planning and Distribution (SPD) department procedures and practices. Our examination of the fiscal year 2004 costs disclosed labor transfers of costs incurred in a prior fiscal year. Consequently, the transfers essentially invalidate the signed ASR for the prior year(s) involved. Additionally, transactions made within the fiscal year disclosed labor transfers past the G&C's 30 and 60 day limitation. These transfers could result in misallocation of costs on Government contracts and incorrect billings to the Government.

The condition stems from the fact that GIT/GTRC/GTARC operates on a budgeting system where work is planned a fiscal year in advance, so there will always be changes. G&C has been monitoring late transfers on a monthly basis by evaluating the reasons and following-up with department heads, and is providing training to the personnel who continue to transfer labor costs past 60 days and the fiscal year. Although the situation has improved as a result of G&C efforts, late transfers continue to occur.

b. Recommendation:

We recommend that GIT/GTRC/GTARC continue to monitor, inform, and train personnel who continue to transfer costs beyond the 30 and 60 day limitations and fiscal year, to ensure costs get properly allocated to contracts and to ensure correct billings to the Government. In addition, we recommend the auditee implement a performance standard, applicable to timely transfers, into its personnel performance appraisal process to minimize late transfers.

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**Defense Contract Audit Agency (DCAA) – Internal Control Requirements  
FINDINGS RELATED TO FEDERAL AWARDS**

DCAA 04-1 Internal Control over Compliance Related to Labor Transfers  
(Finding Control Number: FA-503-04-07) (Continued)

**Management Response**

Georgia Institute of Technology and the management of the Office of Grants and Contracts Accounting, the office responsible for the operation of the Plan Confirmation System, recognizes the need to continue efforts to ensure that salary and wage costs get properly recorded to contract ledgers in a timely manner. 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 as described below.

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Contact Person: Charles T. Duffy, Director, Office of Grants & Contracts Accounting  
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**Based on the work performed, the Corrective Action Plan is considered fully implemented.**