



December 6, 2010

MEMORANDUM

TO: Joseph L. Rufo, Operations Manager  
 SUNY ESF

FROM: Don Miller, AVP   
 Internal Audit & Management Advisory Services

SUBJECT: Audit of SUNY ESF - Scope Memo

**Background**

During 2005, we performed an audit of campus sponsored program operations at SUNY ESF for the audit period March 1, 2004 thru February 28, 2005. The audit identified significant weaknesses in the areas of documenting and processing Income Fund Reimbursement (IFR) and vendor payment transactions. In addition, we noted exceptions in several key sponsored program compliance areas such as effort reporting, cost transfers, financial and technical reporting, and subrecipient monitoring.

Due to the number of compliance findings noted during the audit, we performed a follow-up audit in September 2007. The follow-up audit focused on ten key recommendations made during the original audit. Although we identified improvement in all areas, only three of the ten recommendations were fully implemented. The seven recommendations that were only partially implemented were in the areas of IFR's, vendor payments, effort reporting, subrecipient monitoring, cost transfers, and IRS Form I-9 processing. Because these recommendations were only partially implemented then and a property control issue was identified by KPMG as part of the FY 2010 A-133 audit, we included ESF in the FY2011 internal audit plan.

For the period November 1, 2009 through October 31, 2010 the campus had the following sponsored program expenditure activity:

Sponsor Type	Expenditure	Percent of
	Activity	Total
	11/1/09 - 10/31/10	
Federal	6,911,448.88	49.99%
Federal Flow Through	2,010,623.16	14.54%
Nonfederal	4,902,670.07	35.46%
<b>Total</b>	<b>13,824,742.11</b>	<b>100.00%</b>



Sponsored program activity by sponsor is as follows:

<b>Sponsor</b>	<b>Expenditure Activity 11/1/09 - 10/31/10</b>
National Science Foundation	2,245,860.60
NYS Department of Environmental Conservation	1,511,403.02
US Department of Energy	1,401,471.73
USDA Cooperative State Research Service	981,689.72
Environmental Protection Agency	629,576.00
Honeywell International Incorporated	476,432.70
USDA Forest Service	399,426.28
NYS Energy Research and Development Authority	338,929.18
United States Endowment for Forestry and Communities, Inc	326,104.43
Multiple Sponsors	325,698.12
All other sponsors (112)	<u>5,188,150.33</u>
<b>Total</b>	<u><u>13,824,742.11</u></u>

**Objective**

To assess progress in addressing (1) the open audit issues from the September 2007 follow up audit; and (2) the property control issues (i.e. performing physical inventory and tracking/recording changes to the status of property items) identified in the FY2010 A-133 audit.

**Scope**

The scope of this internal audit will include:

- (1) The compliance areas noted in the partially implemented recommendations from the September 2007 follow-up audit; (i.e. IFR's, vendor payments, reporting, subrecipient monitoring, cost transfers, and IRS Form I-9 processing). To test these areas, we will focus on transactions processed during the most recent twelve month period of November 1, 2009 to October 31, 2010.
- (2) The property control issues (i.e. performing physical inventory and controls related to changes in Property Status) identified in the FY2010 A-133 audit.

**Approach**

To accomplish this internal audit we will perform the following:

- Determine and evaluate the processes and controls related to the compliance areas referenced in the partially implemented recommendations from the September 2007 follow-up audit
- Interview appropriate staff in the central office and at the campus to gain an understanding of controls related to these compliance areas.
- Run various monitoring reports to support testing of the compliance areas reviewed.
- Perform tests of transactions to validate management actions on the open audit issues.



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- Determine when the most recent inventory of fixed assets was performed and review the records related to the inventory.
- Determine if Property Status Change Request Forms are being completed.

**Timeframe and Staffing**

We plan on visiting the campus for 1-2 days during the week of December 6<sup>th</sup> or 13<sup>th</sup>, 2010 to perform preliminary work. The main portion of our fieldwork will take place the week of January 3, 2011 and if necessary fieldwork will be extended into the following week. Staffing on the audit will principally include Tom Reynolds, Internal Auditor.

**Output**

At the conclusion of our work, we will provide a report detailing the results of our audit.

A draft report will be provided within 7 working days of the end of audit fieldwork and we will request that you provide management responses/action plans within ten working days after the draft report is received.

Depending on the nature and significance of the audit findings a further follow up procedure may be performed in the near future.