

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Angie Grove, Deputy Legislative Auditor
DATE: August 2008
CC: Dr. Sheila M. Stearns, Commissioner of Higher Education
Dr. George Dennison, President, The University of Montana
RE: Performance Audit Follow up (08SP-21): The Northern Rockies Consortium for Space Privatization at The University of Montana (orig. 06SP-034)

INTRODUCTION

In June 2006, we presented our performance audit of The Northern Rockies Consortium for Space Privatization (NRCSP). The audit made five recommendations to The University of Montana – Missoula (UM). In April of 2008, we began gathering information from UM on the progress in implementing the recommendations. This memo summarizes the results of our follow-up work in addition to presenting background information on the program.

Overview

Audit recommendations focused on improving procedures relating to conflict of interest, lobbying disclosures, subcontracts, and subrecipient monitoring. All recommendations have been implemented. The implementation of report recommendations appears to have improved management controls at UM, which provides assurance that assets are better safeguarded against waste, loss, and unauthorized use.

BACKGROUND

A performance audit of the management of research and development (R&D) activities at the Montana University System units was prioritized by the Legislative Audit Committee. During audit work, concerns were identified regarding the activities of the former Vice President of Research and Development (VPRD) at UM. Specifically, questions were raised regarding the activities of the Northern Rockies Consortium for Space Privatization (NRCSP) at UM. The NRCSP was a sponsored research program funded through a grant from the National Aeronautics and Space Administration (NASA). At the request of the Commissioner of Higher Education, we performed additional audit work to address the activities of the former Vice President, the NRCSP, and the primary grant subcontractor, the Inland Northwest Space Alliance (INSA).

FOLLOW-UP AUDIT FINDINGS

The audit report included five recommendations to UM. The following document summarizes follow-up audit work and the implementation status of each recommendation.

Recommendation #1

We recommend The University of Montana revise procedures to ensure disclosure of potential conflicts of interest in sponsored research are properly documented by:

- A. Revising conflict of interest certification statements/questions on proposal clearance documents; and**
- B. Requiring documented conflict management plans prior to proposal clearance approval.**

A) Implementation Status – Implemented

In order to ensure annual disclosure of conflict of interest (COI) UM revised the proposal clearance checklist and procedures. Currently, before submitting a proposal for funding, a principal investigator must make any real or potential COI known to UM by submitting a *Disclosure Form* to the Office of Research and Sponsored Programs (ORSP) along with the *Checklist for Proposal Approval*. Faculty and staff are required to submit a *Disclosure Form* at the beginning of the fall semester of each academic year and any time a new potential conflict of interest arises.

B) Implementation Status – Implemented

UM revised procedures to ensure receipt of a *Conflict Management Plan* prior to proposal submission. Currently, if a COI or potential COI exists, the Associate Legal Counsel reviews the information provided on the *Disclosure Form* and determines if COI exists and if it does, what type of conflict exists (financial, relationship, employment, or consulting). It is then determined if any restrictions should be imposed to manage, reduce, or eliminate the conflict of interest. These conditions and restrictions are described in a *Conflict Management Plan*. Once finalized the faculty/staff member, Associate Legal Counsel, Department Dean, and the VPRD sign-off on the plan. As of July 2008, fourteen individuals had disclosed potential COI.

Recommendation #2

We recommend The University of Montana revise procedures to ensure research activities involving members of staff within the office of the Vice President for Research and Development are subject to independent review for potential conflicts of interest.

Implementation Status – Implemented

As stated above, UM revised COI policy and procedures. Currently, any members of staff within the VPRD office must submit a *Disclosure Form* and if necessary, a *Conflict Management Plan*, directly to the University President for review. Additionally, if a *Conflict Management Plan* is developed for staff within the VPRD office, the Board of Regents (BOR) will receive a copy of the plan.

Recommendation #3

We recommend The University of Montana develop procedures to ensure compliance with lobbying disclosure requirements for all private sector lower-tier subrecipients receiving federal funds in excess of \$100,000.

Implementation Status – Implemented

To address this recommendation, UM revised subrecipient monitoring procedures to ensure appropriate lobbying disclosure from subrecipients. Currently, each subrecipient and any lower-tier subrecipients must complete a *Subaward Certification Regarding Lobbying Activities* form. The form requires the subrecipient disclose any lobbying activities in connection with the specific federal contract, grant, loan, or cooperative agreement. All subrecipients must fill out the *Subaward Certification Regarding Lobbying Activities* form annually at the time of award issuance.

Recommendation #4

We recommend The University of Montana modify procedures to ensure grantor agency approval of subcontracts is verified and documented prior to payment of subcontract costs.

Implementation Status – Implemented

UM revised procedures related to grantor agency approval of subcontracts. Current procedures require sponsor approval prior to the preparation of a subrecipient agreement. If the subrecipient has been identified at the time of the application, the role and unique qualifications of the proposed subrecipients should be described in the application narrative and budgets should be included in the proposal's budget section. If the subrecipient was not identified at the time of the initial application for funding, written approval is required from the sponsor before the preparation of a subrecipient agreement. A formal request must outline the role and unique qualifications of the subrecipient and a detailed budget must be included. Once the university receives written approval from the sponsor, the subrecipient agreement can be prepared.

Recommendation #5

We recommend The University of Montana revise subrecipient monitoring procedures for nongovernmental entities to obtain assurance of compliance with applicable procurement standards.

Implementation Status – Implemented

UM modified its existing subcontract procedures and now requires all subrecipients, whether or not they are subject to the federal Office of Management and Budget (OMB) Circular A-133, annually submit an Audit Certification form. A database is in place and is reviewed each month to determine which subrecipients need to be contacted to update their certification. Annual certifications confirm subrecipients' compliance with applicable regulations and must be filled out by the time of award issuance. If UM does not receive the Audit Certification form, the organization is not in compliance with the terms and conditions of any current subagreements and are not allowed to enter into any additional subagreements with UM until the university receives the form.