

**NATIONAL SCIENCE FOUNDATION**  
4201 Wilson Boulevard  
ARLINGTON, VIRGINIA 22230



**OFFICE OF  
INSPECTOR GENERAL**

**MEMORANDUM**

Date: September 30, 2011

To: Mary F. Santonastasso, Director  
Division of Institution and Award Support

Karen Tiplady, Director  
Division of Grants and Agreements

From: Dr. Brett M. Baker /s/  
Assistant Inspector General for Audit

Subject: Audit Report No. OIG-11-1-020  
Cold Spring Harbor Laboratory

Attached is the final audit report, prepared by Williams, Adley & Co., an independent public accounting firm, on the audit of NSF Award Numbers IOS-0333074, MCB-0501862, IOS-0703908 and DBI-0923128 awarded to the Cold Spring Harbor Laboratory (CSHL). The audit covers NSF-funded costs claimed from September 1, 2003 to March 31, 2011, totaling approximately \$12.05 million in costs claimed for the awards.

The auditors determined that the costs claimed on the awards are presented fairly, in all material respects, and are allowable under the guidelines of the NSF awards and the American Reinvestment and Recovery Act. The auditors also determined that CSHL adequately monitors its subawards and has adequately addressed its prior year audit findings from the FY 2007 A-133 audit and the 2008 NSF Desk Review.

The auditors noted that approximately \$90,000 in participant support costs, for two of three awards, were unspent near the end of the award periods. Because of the restrictive nature of participant support costs and the short time remaining to incur these expenditures, we identified these costs as “at risk.” NSF requires that funds budgeted for participant costs be spent as awarded. A change to the level of spending for these costs require approval by NSF before being used for other purposes to ensure that the objectives of the awards are met. CSHL officials stated that they are seeking an extension to the award period and a “repurposing” of the funds for one award. The period of performance for the other award has been extended to June 2012.

The auditee agreed with the report and also noted new time and effort reporting activities they state that they are implementing. CSHL's response is included in its entirety in Appendix B.

We are providing copies of this memorandum to the responsible NSF Program and Administrative Officials. The responsibility for audit resolution rests with the Division of Institution and Award Support, Cost Analysis and Audit Resolution Branch (CAAR). Accordingly, we ask that no action be taken concerning the report without first consulting CAAR at 703-292-8244.

### OIG Oversight of Audit

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed Williams, Adley's approach 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 with Williams, Adley and NSF officials, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report, prepared by Williams, Adley to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

Williams, Adley is responsible for the attached auditor's report on the CSHL and the conclusions expressed in the report. We do not express any opinion on the Schedules of Award Costs, internal control, or conclusions on compliance with laws and regulations.

We thank your staff for the assistance that was extended to our auditors during this audit. If you have any questions regarding this report, please contact Sherrye McGregor at 703-292-5003 or Jannifer Jenkins at 703-292-4996.

### Attachment

cc: John C. Wingfield, BIO/OAD  
Parag R. Chitnis, BIO/MCB  
Judith A. Verbeke, BIO/ DBI  
Jane Silverthorne, BIO/ IOS

**Cold Spring Harbor Laboratory  
Cold Spring Harbor, New York**

National Science Foundation  
Office of Inspector General

Award Numbers

IOS-0333074; MCB-0501862; IOS-0703908; DBI-0923128

Financial Audit of Financial Schedules and  
Independent Auditors' Report

From September 1, 2003 to March 31, 2011

Audit Performed by:  
Williams Adley  
1030 15<sup>th</sup> Street NW  
Suite 350 West  
Washington, D.C. 20005

## EXECUTIVE SUMMARY

The National Science Foundation (NSF) Office of Inspector General (OIG), contracted with Williams Adley to perform an audit on \$12,049,384 in costs claimed as reported on the March 31, 2010 and March 31, 2011 Federal Financial Report (FFR) submitted to NSF by Cold Spring Harbor Laboratory (CSHL) on NSF award numbers IOS-0333074, MCB-0501862, IOS-0703908 and DBI -0923128.

Cold Spring Harbor Laboratory is a private not-for-profit research and education institution that as of March 31, 2011 had 32 active NSF awards totaling over \$26 million and NSF award expenditures of \$18,151,028. The four awards selected for audit were chosen by the NSF OIG because of potential weaknesses in the internal controls over the financial and grant administration of its NSF awards as identified in a 2008 NSF Desk Review Report. CSHL also passes much of its NSF funding through to its sub-awardee institutions and expends a large amount of funds in salaries, wages, and indirect costs. As a recipient under the American Recovery and Reinvestment Act of 2009 (ARRA), CSHL has additional requirements to account for, segregate and report its ARRA expenditures and activity.

The objective of this audit was to determine whether CSHL's system of internal controls was sufficient to ensure that, costs claimed by CSHL and its sub-awardees presents fairly in all material respects, the costs claimed on the CSHL's Schedules of Award Costs; ARRA and non-ARRA awards are adequately administered according NSF award and other Federal requirements; CSHL adequately monitors its sub-awards; and recommendations, identified in CSHL's 2007 OMB Circular A-133 and NSF's 2008 desk review, were satisfactorily addressed and implemented.

For two of three awards with budgeted participant costs, we noted that \$90,001 of participant support cost was unspent as of March 31, 2011. Based on the restrictive nature of participant support costs and the time remaining in the performance period for each grant to incur these expenditures, we identified these cost to be "at risk." According to CSHL management, one grant's period of performance has been extended to June 30, 2012 and CSHL is seeking an extension to the period of performance for this grant and a repurposing of the participant support costs.

For the period from inception to March 31, 2011 for all four grants, we audited \$12,049,384 of costs claimed by CSHL and its sub-awardees. We determined that the costs claimed present fairly in all material respects and are allowable under the guidelines of the NSF award and ARRA regulations. We also determined that CSHL adequately monitors its subawards and has adequately addressed its prior year audit findings from the FY 2007 A-133 audit and the 2008 NSF Desk Review recommendations. We noted no findings or exceptions.

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# INTRODUCTION

## **BACKGROUND**

Williams Adley & Company-DC, LLP (Williams Adley) audited funds awarded by the National Science Foundation (NSF) to Cold Spring Harbor Laboratory (CSHL) under award numbers ISO-0333074, MCB-0501862, IOS-0703908 and DBI-0923128, for the period September 1, 2003 through March 31, 2011 (as applicable). CSHL as a recipient of Federal funding is required follow the administrative and cost principles specified in 2 CFR Part 215 (OMB Circular A-110) *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Educations, Hospitals, and Other Non-Profit Organizations*; 2 CFR Part 230 (OMB Circular A-122) *Cost Principles for Non-Profit Organizations* and Federal audit requirements in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Cold Spring Harbor Laboratory is a private not-for-profit research and education institution with 6 facilities located on New York's Long Island. Since 1890, CSHL has provided a wealth of education and research opportunities. CSHL currently conducts scientific investigations in the areas of Cancer, Neuroscience, Plant Biology, Quantitative Biology, and Bio informatics & Genomics. CSHL has more than 1,105 employees and students working and learning at its facilities. In March 2011, CSHL had 32 active NSF awards totaling over \$26 million and NSF award expenditures of \$18,151,028.

A description of the four NSF awards audited is as follows:

1. **Award IOS-0333074 - YIA: Genomics of Rice, Sorghum and Maize** – NSF awarded Continuing Grant Award No. IOS-0333074 to Cold Spring Harbor Laboratory for the period from September 1, 2003 to August 31, 2009 in the amount of \$1,355,076. NSF funds were used to further research in gene colinearity and the evolutionarily conserved order along the chromosomes of genes among different species. This grant also provided funds for research experiences for undergraduates and research opportunity awards. Cold Spring Harbor Laboratory was solely responsible for the operation of this grant. Cumulative disbursements for award number IOS-0333074 reported to NSF through March 31, 2010 were \$1,347,269 (99% of the grant funding).
2. **Award MCB-0501862 – Characterizing Sub-Cellular Compartments in Maize Using Fluorescent Protein Tagged Lines** - NSF awarded Continuing Grant MCB-0501862 - to Cold Spring Harbor Laboratory for the period from July 1, 2005 to June 30, 2011 in the amount of \$5,028,244. NSF funds were used to further research to identify proteins critical to understanding the developmental and physiological process of maize, in order to improve crops. This grant was a cooperative effort between Cold Spring Harbor Laboratory, The Institute for Genomic Research currently known as J. Craig Venter Institute, and the University of Wyoming. Cumulative disbursements for award number MCB-0501862 reported to NSF through March 31, 2011 were \$4,910,499.
3. **Award IOS-0703908 – Gramene: A Platform for Comparative Plant Genomics** – NSF awarded Continuing Grant IOS-0703908 to Cold Spring Harbor Laboratory for the period from October 1, 2007 to September 30, 2011 in the amount of \$6,944,880. NSF

funds were used to build and maintain the Gramene database (<http://www.gramene.org>). The Gramene database is an online resource tool developed to house information resources developed and being developed, through genomics efforts and key elements to advance the fundamental knowledge bases for a future bio-based economy. This project is a collaborative effort between Cold Spring Harbor Laboratory, Cornell University and the University of Oregon. Cumulative disbursements for award number IOS-0703908 reported to NSF through March 31, 2011 were \$4,792,363.

4. **Award DBI-0923128 – MRI: Acquisition of Next Generation Sequencers-** NSF awarded Grant DBI-0923128 from its American Reinvestment and Recovery Act of 2009 (ARRA) funding for the period September 1, 2009 to August 31, 2012 in the amount of \$999,253. NSF funds were used to create a “next generation” sequencing center dedicated to plant genomics. The grant was primarily an equipment grant used to purchase a DNA sequencer and computer equipment for data analysis and storage. Cumulative disbursements for award number DBI-0923128 reported to NSF through March 31, 2011 were \$999,253 (100% of the grant funding).

#### ***AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY***

The objectives of our audit were to:

1. Determine whether CSHL’s system of internal control over administering its NSF American Recovery and Reinvestment Act (ARRA) and non-ARRA awards is adequate to account for and ensure compliance with applicable OMB Circular and NSF award requirements.
2. Identify and report instances of noncompliance with laws, regulations, and the provisions of the award agreement(s) and weaknesses in CSHL’s internal controls over compliance and financial reporting that could have a direct and material effect on the Schedules of Award Costs and CSHL’s ability to properly administer, account for, and manage its NSF awards.
3. Determine and report on whether the Schedules of Award Costs of CSHL presents fairly, in all material respects, the costs claimed on the Federal Cash Transactions Reports/Federal Financial Reports and cost share in conformity with NSF-OIG’s Financial Audit Guide and the terms and conditions of the NSF ARRA and non-ARRA awards.
4. Determine and report on whether CSHL adequately monitors its sub-awards.
5. Determine if CSHL developed and executed a plan to address and implement recommendations identified in the CSHL’s 2007 OMB Circular A-133 audit and NSF’s 2008 desk review.

6. Determine whether CSHL properly accounts for and segregates its ARRA funded award from its non-ARRA funded awards in its accounting system.
7. Determine whether CSHL provided accurate and timely ARRA quarterly reporting under ARRA for NSF Award No. DBI-0923128.

Williams Adley conducted the audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS); 2007 Revision, issued by the Comptroller General of the United States and the provisions of the *National Science Foundation OIG Audit Guide*. We also complied with the most current AICPA financial audit standards, including the Statements on Auditing Standards (SAS) 62, 99, 102 through 116. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation in the Schedules of Award Costs are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Award Costs. An audit also includes assessing the accounting principles used and significant estimates made by Cold Spring Harbor Laboratory, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion which is stated in the independent auditor's report on financial schedules.

## REPORTS



## INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

We have audited the costs claimed by Cold Spring Harbor Laboratory to the National Science Foundation (NSF) on the Federal Financial Reports for the NSF awards listed below. The Federal Financial Reports as presented in the Schedules of Award Costs (Schedules A-1, A-2, A-3, and A-4) are the responsibility of Cold Spring Harbor Laboratory's management. Our responsibility is to express an opinion on the Schedules of Award Costs based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
IOS-0333074	September 1, 2003 to August 31, 2009	September 1, 2003 to March 31, 2010
MCB-0501862	July 1, 2005 to June 30, 2011	July 1, 2005 to March 31, 2011
IOS-0703908	October 1, 2007 to September 30, 2011	October 1, 2007 to March 31, 2011
DBI-0923128	September 1, 2009 to August 31, 2012	September 1, 2009 to March 31, 2011

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards (2007 Revision) issued by the Comptroller General of the United States, and guidance provided in the *NSF OIG Audit Guide* (August 2007), as applicable. Those standards and the *NSF OIG Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation as presented in the Schedules of Award Costs (Schedules A-1, A-2, A-3, and A-4) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Award Costs. An audit also includes assessing the accounting principles used and significant estimates made by Cold Spring Harbor Laboratory's management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Schedules of Award Costs referred to above present fairly, in all material respects, the costs claimed on the Federal Financial Reports for the period September 1, 2003 to March 31, 2011, in conformity with the *NSF OIG Audit Guide*, *NSF Grant Policy Manual*, terms and conditions of the NSF awards and on the basis of accounting described in the Notes to the

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Management Consultants/Certified Public Accountants*

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Financial Schedules, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America (GAAP). These schedules are not intended to be a complete presentation of financial position of Cold Spring Harbor Laboratory in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and the *NSF OIG Audit Guide* we have also issued a report dated July 11, 2011, on our consideration of Cold Spring Harbor Laboratory's internal control over financial reporting and our tests of Cold Spring Harbor Laboratory's compliance with certain provisions of laws regulations, and NSF award terms and conditions and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of Cold Spring Harbor Laboratory management, the National Science Foundation, Cold Spring Harbor Laboratory's cognizant Federal audit agency, the Office of Management and Budget, and the Congress of the United States and is not intended to be an should not be used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP  
Washington, D.C.  
July 11, 2011



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

We have audited costs claimed as presented in the Schedules of Award Costs (Schedules A-1, A-2, A-3 and A-4), which summarize the financial reports submitted by Cold Spring Harbor Laboratory (CSHL) to the National Science Foundation (NSF) for the awards and periods listed below and have issued our report thereon dated July 11, 2011.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
IOS-0333074	September 1, 2003 to August 31, 2009	September 1, 2003 to March 31, 2010
MCB-0501862	July 1, 2005 to June 30, 2011	July 1, 2005 to March 31, 2011
IOS-0703908	October 1, 2007 to September 30, 2011	October 1, 2007 to March 31, 2011
DBI-0923128	September 1, 2009 to August 31, 2012	September 1, 2009 to March 31, 2011

We conducted our audit of the Schedules of Award Costs as presented in Schedules A-1, A-2, A-3, and A-4 in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (2007 revision), and the guidance provided in the *NSF OIG Audit Guide* (August 2007), as applicable.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the Schedules of Award Costs (Schedules A-1, A-2, A-3 and A-4) for the period September 1, 2003 to March 31, 2011, we considered Cold Spring Harbor Laboratory’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of Cold Spring Harbor Laboratory’s internal control over financial reporting. Accordingly, we do not express an

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opinion on the effectiveness of Cold Spring Harbor Laboratory's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies that we consider to be significant.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Cold Spring Harbor Laboratory's financial schedules are free of material misstatement, we performed tests of Cold Spring Harbor Laboratory's compliance with certain provisions of applicable laws, regulations, and NSF award terms and conditions, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance did not disclose instances of noncompliance that are required to be reported under *Government Auditing Standards* and the *National Science Foundation OIG Audit Guide*.

This report is intended solely for the information and use of Cold Spring Harbor Laboratory's management, the National Science Foundation, Cold Spring Harbor Laboratory's cognizant Federal audit agency, the Office of Management and Budget, and the Congress of the United States and is not intended to be, and should not be used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP  
Washington, D.C.  
July 11, 2011

**APPENDIX A - SCHEDULES OF AWARD COSTS AND NOTES**

**Cold Spring Harbor Laboratory**  
 National Science Foundation Award No. IOS-0333074  
 Schedule of Award Costs  
 Award Period: September 1, 2003 - August 31, 2009  
 Audit Period: September 1, 2003 – March 31, 2010  
 Final

Cost Category	Approved Budget	Claimed Costs (A)	Reclassifications	Cost Claimed After Reclassification
Direct Costs:				
Salaries and wages	\$			
Fringe benefits				
Equipment				
Travel				
Participant support				
Other Direct Costs:				
Materials and supplies				
Publication costs				
Consultant services				
Computer services				
Subcontracts				
Other costs				
<b>Total Direct Costs</b>	\$	836,547	\$	830,510
Indirect Costs				
<b>Total Direct and Indirect Costs</b>	\$			

(A) – The total claimed costs agree with the total expenditures reported by Cold Spring Harbor Laboratory on the Federal Financial Report as of the quarter ended March 31, 2010. Claimed costs reported above are based on the cost ledgers prepared by Cold Spring Harbor Laboratory’s books of accounts.

See accompanying notes to Schedule of Award Costs

**Cold Spring Harbor Laboratory**  
 National Science Foundation Award No. MCB-0501862  
 Schedule of Award Costs  
 Award Period: July 1, 2005 - June 30, 2011  
 Audit Period: July 1, 2005 – March 31, 2011  
 Interim

Cost Category	Approved Budget	Claimed Costs (A)	Reclassifications	Cost Claimed After Reclassification
Direct Costs:				
Salaries and wages	\$			
Fringe benefits				
Equipment				
Travel				
Participant support				
Other Direct Costs:				
Materials and supplies				
Publication costs				
Consultant services				
Computer services				
Subcontracts				
Other costs				
<b>Total Direct Costs</b>	\$ 3,858,750	\$ 3,846,476	\$ -	\$ 3,846,476
Indirect Costs				
<b>Total Direct and Indirect Costs</b>	\$			

(A) – The total claimed costs agree with the total expenditures reported by Cold Spring Harbor Laboratory on the Federal Financial Report as of the quarter ended March 31, 2011. Claimed costs reported above are based on the cost ledgers prepared by Cold Spring Harbor Laboratory’s books of accounts.

See accompanying notes to Schedule of Award Costs

**Cold Spring Harbor Laboratory**  
 National Science Foundation Award No. IOS-0703908  
 Schedule of Award Costs  
 Award Period: October 1, 2007 - September 30, 2011  
 Audit Period: October 1, 2007 – March 31, 2011  
 Interim

Cost Category	Approved Budget	Claimed Costs (A)	Reclassifications	Cost Claimed After Reclassification
Direct Costs:				
Salaries and wages				
Fringe benefits				
Equipment				
Travel				
Participant support				
Other Direct Costs:				
Materials and supplies				
Publication costs				
Consultant services				
Computer services				
Subcontracts				
Other costs				
Total Direct Costs	\$ 5,618,850	\$ 3,733,739	-	\$ 3,733,739
Indirect Costs				
Total Direct and Indirect Costs				

(A) – The total claimed costs agree with the total expenditures reported by Cold Spring Harbor Laboratory on the Federal Financial Report as of the quarter ended March 31, 2011. Claimed costs reported above are based on the cost ledgers prepared by Cold Spring Harbor Laboratory’s books of accounts.

See accompanying notes to Schedule of Awards Costs

**Cold Spring Harbor Laboratory**  
 National Science Foundation Award No. DBI-0923128 ARRA  
 Schedule of Award Costs  
 Award Period: September 1, 2009 - August 31 2012  
 Audit Period: September 1, 2009– March 31, 2011  
 Interim

Cost Category	Approved Budget	Claimed Costs (A)	Reclassifications	Cost Claimed After Reclassification
Direct Costs:				
Salaries and wages	\$			
Fringe benefits				
Equipment				
Travel				
Participant support				
Other Direct Costs:				
Materials and supplies				
Publication costs				
Consultant services				
Computer services				
Subcontracts				
Other costs				
Total Direct Costs	\$ 999,253	\$ 999,253	\$ -	\$ 999,253
Indirect Costs				
Total Direct and Indirect Costs	\$			

(A) – The total claimed costs agree with the total expenditures reported by Cold Spring Harbor Laboratory on the Federal Financial Report as of the quarter ended March 31, 2011. Claimed costs reported above are based on the cost ledgers prepared by Cold Spring Harbor Laboratory’s books of accounts.

See accompanying notes to Schedule of Award Costs

**Cold Spring Harbor Laboratory**  
Notes to the Financial Schedules

From September 1, 2003 to March 31, 2011

**Note 1: Summary of Significant Accounting Policies**

Accounting Basis

The accompanying financial schedules have been prepared in conformity with National Science Foundation (NSF) instructions, which are based on a comprehensive basis of accounting other than generally accepted accounting principles. Schedules A-1, A-2, A-3 and A-4 have been prepared by Cold Spring Harbor Laboratory from the Federal Financial Reports (FFRs) submitted to NSF and Cold Spring Harbor Laboratory's accounting records. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

1. Equity

Under the terms of the awards, all funds not expended according to the award agreements and budgeted at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess cash received from NSF over final expenditures is due back to NSF.

2. Inventory

Minor materials and supplies charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

3. Equipment

Equipment purchased with NSF funds is expensed at cost in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. Accounting principles generally accepted in the United States of America require that equipment be capitalized and depreciated over its useful life. As a result, the expenses reflected in the Schedules of Award Costs include the costs of equipment purchased during the period rather than a provision for depreciation. The capitalization and depreciation of the costs of equipment is reflected on Cold Spring Harbor Laboratory's own financial statements which are not subject to our audit.

Except for awards with nonstandard terms and conditions, title to equipment under NSF awards vests in the recipient, for use in the project or program for which it was acquired, as long as it is needed. The recipient may not encumber the property without approval of the federal awarding agency, but may use the equipment for its other federally sponsored activities, when it is no longer needed for the original project.

4. Income Taxes

Cold Spring Harbor Laboratory is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

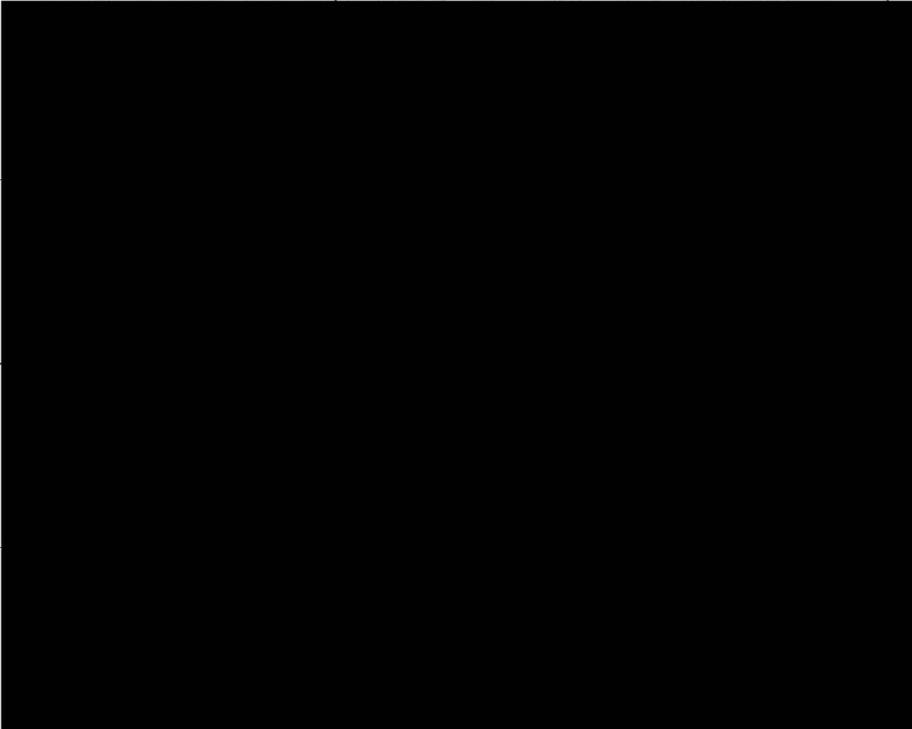
**Note 1: Summary of Significant Accounting Policies (Continued)**

4. Income Taxes (continued)

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by Cold Spring Harbor Laboratory. The departure does not constitute a material weakness in internal controls.

**Note 2: Indirect Cost Rates**

Cold Spring Harbor Laboratory's indirect cost rate is negotiated with the Department of Health and Human Services. The rate is a final rate which is applied to the base of modified total direct costs:

Award Number	Indirect Cost Rate For 9/1/2003 – 3/31/2011	Base
IOS-0333074		
MCB-0501862		
IOS-0703908		
DBI-0923128		

**APPENDIX B – AWARDEE’S COMMENTS TO REPORT**

**Cold Spring Harbor Laboratory**

One Bungtown Road  
Cold Spring Harbor, New York 11724

September 19, 2011

[REDACTED]  
Partner

Williams, Adley and Company  
1030 15<sup>th</sup> Street, NW, Suite 350  
Washington, D.C. 20005

Dear Ms. Duckett:

Thank you for providing us with the opportunity to review and comment on the draft National Science Foundation (NSF) Office of Inspector General (OIG) Audit Report of Cold Spring Harbor Laboratory (CSHL). We were pleased to host representatives from your firm that participated in the site visit and to work with Michelle, Phyllis, and Juan along with representatives of the NSF during the data collection and evaluation process.

We are pleased with the outcome of the audit which noted no findings or exceptions. The report concluded that the costs claimed for all four grants from inception to March 31, 2011, totaling \$12,049,384, are presented fairly in all material respects and are allowable under the guidelines of the NSF award and ARRA regulations. The additional determinations that CSHL adequately monitors its subawards and has adequately addressed prior year recommendations from the FY 2007 A-133 audit and the 2008 NSF Desk Review are also welcomed conclusions.

Our review of the draft report identified a few suggested changes which we have highlighted using track changes in the attached document. We also have revised the description of our institutional research in the background section to more accurately reflect our current research efforts.

Please note that we strongly recommend that the conclusions drawn by the 2008 NSF Desk Review, that was conducted by the firm Booz Allen and Hamilton and accepted by the NSF, be correctly reflected in the final OIG report. The NSF Desk report noted concerns, not findings that were characterized in a communication to CSHL by Ms. Rosalind Jackson-Lewis from the NSF (see attached email) *as minor*, that our organization should review and address *as appropriate*. Most all of the issues were based on the perceived need to have better documented policies and procedures, which CSHL now has. It is of concern that the draft OIG report refers to these minor concerns as findings. We feel that this representation does not reflect the Desk Review documentation that was provided to CSHL and respectfully request that the OIG report be modified to better represent the 2008 Desk Review conclusions that minor concerns were noted and not findings.

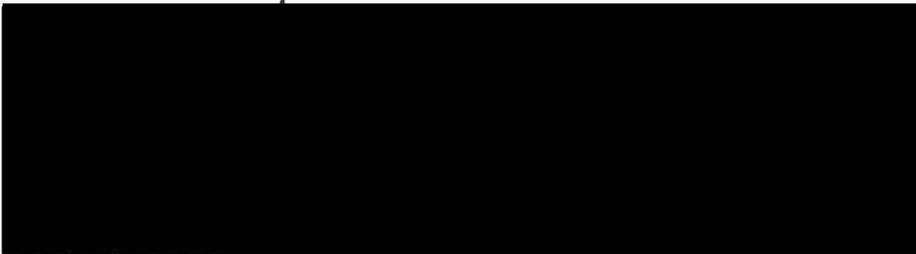
www.cshl.edu

We would like to take this opportunity to update you and the NSF on the status of our efforts to enhance CSHL's Time & Effort Reports and reporting capabilities. A new version of the Time and Effort Report has been created that reflects the complete 100% distribution of each scientific staff member's activities and that of all of their direct reports. The new Time and Effort Report is currently being tested by a select group of Principal Investigators that will review August 2011 time and effort information. Based on Principal Investigator feedback, the report will then be finalized and immediately rolled out to the remaining CSHL Principal Investigators.

We appreciate the opportunity to work with you and the NSF to help ensure the proper stewardship of Federal research funds.

Please contact us if you have any immediate questions.

Sincerely,



Encl.

**APPENDIX C –PRIOR REVIEW RECOMMENDATIONS  
AND AUDIT FINDINGS**

Finding	Status
<b>Finding from the fiscal year 2007 A-133 audit:</b>	
1. Contributions Revenue and Receivables-Insufficient reconciliation between the fund raising and accounting system.	<p><b>Resolved</b></p> <p>Based on our review, we noted that this finding was not related to federal awards or projects funded by the NSF. According to CSHL personnel the Finance Department has implemented policies and procedures to ensure that all pledges and contributions are properly recorded in the accounting system and reflected on the Financial Statements. Also, based on our review of the FY 2008 A-133 audit report and inquiry of CSHL's A-133 auditors we noted that the status of this finding was documented as resolved.</p>
<b>Concerns from the 2008 NSF Desk Review :</b>	
1. Cold Spring Harbor Laboratory does not have an accounting manual.	<p><b>Resolved</b></p> <p>Based on our review, we noted that CSHL has established a number of policies and procedures and desk references to instruct employees on the handling of financial transactions. According to CSHL the number of policies and procedures documented are too numerous to be combined into one hard copy manual thus the policies and procedures are readily available to employees through the intranet. We reviewed the various procedures noting that they appeared comprehensive.</p>
2. Cold Spring Harbor Laboratory lack of established guidelines or procedures to assist employees in charge of federal award administration to determine reasonableness, allocability and allowability of cost charged to NSF Awards.	<p><b>Resolved</b></p> <p>Based on our review, we determined that CSHL implemented a policy entitled "Expenditure Approval Policy for Sponsored Research Projects/Awards" in which the terms reasonableness, allocability, consistency and conformance are defined. The policy also includes procedures for requesting goods and services including a review to be performed by the Office of Sponsored Programs to ensure that the purchase is allowable under the grant. CSHL also implemented a "Policy and Procedure on Allowable and Unallowable Costs". This policy and procedure defines criteria for allowable and unallowable cost and procedures for review of expenses by the Principal Investigator and the Office of Sponsored Programs.</p>
3. CSHL's time and effort reporting did not reflect an adequate or complete distribution of the employees' activities.	<p><b>Continuing</b></p> <p>Based on our review we determined that CSHL's effort reporting system does reflect a complete distribution of employees' activities. However, it does not present the full</p>

	<p>distribution on a single document by employee. Each Principal Investigator (PI) receives an effort report that includes all personnel working for them. The PI can only review and certify the effort performed under their project. We were able to perform alternative procedures to obtain sufficient evidence for our report through review of the system controls and obtaining all effort reports related to the personnel that we tested.</p> <p>Additionally, CSHL has developed a new effort report within Lawson (accounting system) that will provide 100% of the each person's effort in one place. This report will be distributed to each PI and will include the full distribution (100%) of all personnel for whom they are considered the direct supervisor, as well as the allocable portion of all personnel who are supervised by a different PI. This report was in the testing phase during our audit period and was being reviewed by a select group of Principal Investigators. Based on Principal Investigator feedback, the report will then be finalized and immediately rolled out system wide at the time of our fieldwork.</p>
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**APPENDIX D – EXIT BRIEFING**

**EXIT BRIEFING**

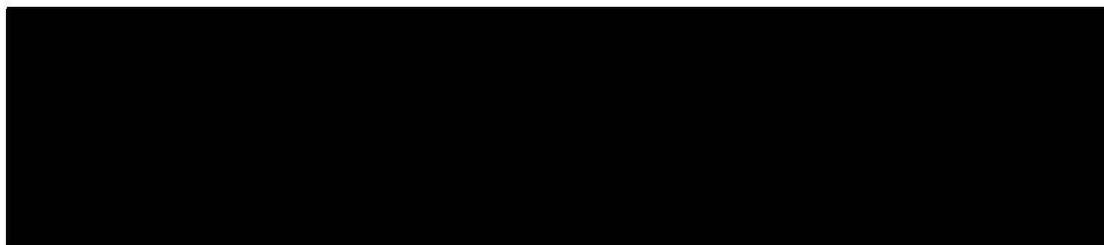
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We conducted an exit briefing on June 28, 2011 at Cold Spring Harbor Laboratory in Cold Spring Harbor, New York. We discussed preliminary findings and recommendations noted during the audit. Representing Cold Spring Harbor Laboratory were:

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Name	Title
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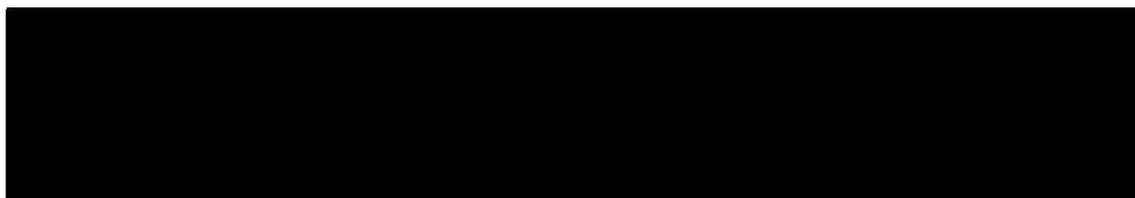


Representing Williams Adley were:

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Name	Title
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