

---

# **Perspectives on Federal Research Regulations and Reporting Requirements**

*Randy Livingston*

*Vice President for Business Affairs & CFO, Stanford University*

*For*

*National Academy of Sciences Committee*

*May 29, 2015*

# Summary

---

- ❑ We are very appreciative of Federal Government financial support for our research and education missions
- ❑ We accept that Federal support brings with it significant compliance and reporting obligations
- ❑ The Federal Government does not fully reimburse Stanford for the cost of compliance and reporting – in Stanford's case this shortfall is largely made up from philanthropy
- ❑ While this Committee is hearing many ideas for modifying regulations and reporting requirements, I will focus on two:
  - New purchasing guidelines under Uniform Guidance
  - Audit burden

# Stanford contributes about \$130M per year towards the cost of Federal Sponsored Research Projects

---

## Reimbursement Shortfall on Federal Sponsored Projects – FY 2014

❑ Cap on Administrative Indirect Costs	\$ 32,000,000
❑ Foregone Indirect Cost Recovery	\$ 24,000,000
❑ Mandated and Committed Cost Sharing	\$ 24,000,000
❑ Cap on Graduate Student Tuition and Stipends	\$ 35,000,000
❑ Cap on Faculty Salaries (NIH)	<u>\$ 14,000,000</u>
<b>Total</b>	<b>\$129,000,000</b>
❑ Voluntary cost sharing, proposal preparation	+++

*Note: Federal research revenue in FY 2014 was \$621M*

*University funded research is not included.*

*Cost Sharing includes \$9 million impact of IDC.*

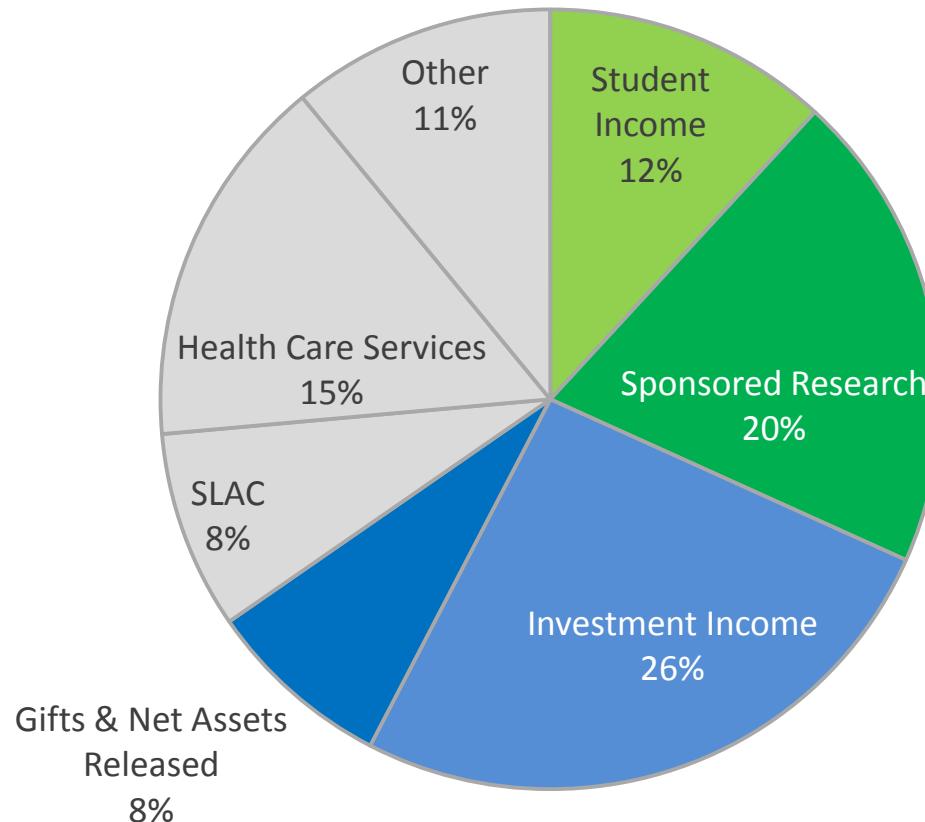
*Cap on faculty salaries includes \$5 million impact of IDC*

# Stanford's research & education efforts are heavily subsidized by philanthropy (annual giving and endowment payout)

---

Stanford Consolidated Revenue – FY 2014

Total = \$4.5B



# The purchasing guidelines under UG will significantly increase Stanford's administrative burden

---

- ❑ UG requires documented multiple bids for purchasing transactions exceeding \$3,000 in value
- ❑ Stanford's current guidelines focus on transactions exceeding \$25,000 in value
- ❑ Adjusting to lower threshold will require Stanford to document competitive bids on **6X** more transactions representing only **12%** of purchasing expenditures
- ❑ Higher # of transactions also substantially increases government audit burden
- ❑ Recommendation: Provide Universities flexibility to select threshold that captures 75-80% of purchasing expenditures.

## Stanford Purchasing Transactions – FY 2014

<u>Transaction Size</u>	<u>Transactions</u>		<u>Purchasing Value</u>		<u>Avg.</u>	<u>3% of Avg.</u>	<u>10% of Avg.</u>
	<u>#</u>	<u>%</u>	<u>\$000</u>	<u>%</u>			
\$0 - \$3,000	466,552	95.50%	\$ 142,942	12.30%	\$ 306	\$ 9	\$ 31
\$3,000 - \$10,000	13,679	2.80%	\$ 68,873	5.90%	\$ 5,035	\$ 151	\$ 503
\$10,000 - \$25,000	4,885	1.00%	\$ 70,010	6.10%	\$ 14,331	\$ 430	\$ 1,433
> \$25,000	3,420	0.70%	\$ 818,175	75.70%	\$ 239,250	\$ 7,177	\$ 23,925
Total	488,536	100.00%	\$ 1,100,000	100.00%			

# Federal audit activity at Stanford in FY 2014 vastly exceeded expectations of the Single Audit act

---

- ❑ A-133 (prescribed by the “Single Audit” Act of 1984) – undertaken for Stanford by PWC
- ❑ DCAA
  - Incurred Fringe Benefits Audits: FY2007, FY2008 & FY2009
  - Facilities & Administrative Cost Proposal FY2015 &FY2016
  - Fringe Benefits FY2015 Proposal
  - Payment Audit
- ❑ Office of Naval Research: Property Control System Analysis
- ❑ NSF – Data Analytics: FY 2010, FY 2011 & FY 2012 – undertaken for NSF by WithumSmith+Brown
- ❑ State Department – Building a Law Degree Program in Afghanistan
- ❑ DOE – Sandia Lab (Stanford is a subawardee)
- ❑ US Agency for International Development - University of Makerere Uganda - undertaken by Grant Thornton – (Stanford is a subawardee)

## Federal audits are expensive to undertake – for the government and auditee, and perhaps could be scaled back

---

- We appreciate the important role played by Federal audit organizations (DCAA and OIGs) in holding universities accountable, reinforcing the importance of strong controls, and detecting fraud and abuse
- Audit organizations are overburdened with too much scope relative to their limited resources (e.g., DCAA many years behind on fringe benefit audits)
- And, audits are very time consuming for auditees
- Idea behind “single audit” appears to have fallen by the wayside
- Agencies and audit arm often disagree on interpretation of Federal policy and guidelines (e.g., NSF summer salaries; acceptable effort reporting methods)
- Recommendations:
  - Consider reducing Federal audit scope (e.g., not audit every year of fringe benefits)
  - Request agencies and audit arms to resolve differences internally, not through university audit process