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)**: $14,000,000

**Total**: $129,000,000

- **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

- Student Income: 12%
- Sponsored Research: 20%
- Investment Income: 26%
- Health Care Services: 15%
- SLAC: 8%
- Other: 11%
- Gifts & Net Assets Released: 8%
- SLAC: 8%
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

<table>
<thead>
<tr>
<th>Transaction Size</th>
<th>Transactions</th>
<th>Purchasing Value</th>
<th>Avg.</th>
<th>3% of Avg.</th>
<th>10% of Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>$000</td>
<td>%</td>
<td>Transaction</td>
</tr>
<tr>
<td>$0 - $3,000</td>
<td>466,552</td>
<td>95.50%</td>
<td>$ 142,942</td>
<td>12.30%</td>
<td>$ 306</td>
</tr>
<tr>
<td>$3,000 - $10,000</td>
<td>13,679</td>
<td>2.80%</td>
<td>$ 68,873</td>
<td>5.90%</td>
<td>$ 5,035</td>
</tr>
<tr>
<td>$10,000 - $25,000</td>
<td>4,885</td>
<td>1.00%</td>
<td>$ 70,010</td>
<td>6.10%</td>
<td>$ 14,331</td>
</tr>
<tr>
<td>&gt; $25,000</td>
<td>3,420</td>
<td>0.70%</td>
<td>$ 818,175</td>
<td>75.70%</td>
<td>$ 239,250</td>
</tr>
<tr>
<td>Total</td>
<td>488,536</td>
<td>100.00%</td>
<td>$ 1,100,000</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>
Federal audit activity at Stanford in FY 2014 vastly exceeded expectations of the Single Audit act

- DCAA
  - Facilities & Administrative Cost Proposal FY2015 & FY2016
  - Fringe Benefits FY2015 Proposal
  - Payment Audit
- Office of Naval Research: Property Control System Analysis
- 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.