



The Research Foundation of the State University of New York The University at Albany Foundation

Use of State Funding for Research into Emerging
Technologies at the State University of New York at
Albany: Cancer Genomics

2010-S-6



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

June 17, 2010

Nancy L. Zimpher, Ph.D.
Chair
Research Foundation of SUNY
P.O. Box 9
Albany, New York 12201

Mr. Fardin Sanai
Executive Director
University at Albany Foundation
1400 Washington Avenue, UAB 226
Albany, New York 12222

Dear Dr. Zimpher and Mr. Sanai:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit addressing the *Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Cancer Genomics*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objective

Our objective was to determine whether the Research Foundation of the State University of New York and the University of Albany Foundation spent State funds provided for cancer genomic research at the East Campus of the State University of New York at Albany in a manner that complied with all applicable terms and conditions placed on the funding.

Audit Results - Summary

The East Campus of the State University of New York at Albany (University) has over 500,000 square feet of lab, office and support facilities and is home to over 20 separate technology-related organizations. Its focus is on biomedical research, especially cancer genomic research. During the 2000-01 through 2008-09 fiscal years, the State provided \$70.7 million in funding for cancer genomic research at the University, of which almost \$47.3 million was expended as of August 31, 2009. This money was intended to build and equip facilities and to pay for salaries, supplies and other costs of conducting the research.

There were five different cancer genomics research projects that received State support, of which we reviewed three in detail. The State funding for these three projects was provided to the University at Albany Foundation (University Foundation) and to the Research Foundation of the State University of New York (Research Foundation). No expenditures had yet been made against the other two projects. We found that the University Foundation and the Research Foundation had complied with all terms and conditions placed on the State funding. This includes ensuring the money was spent on eligible items only and submitting reports on the financial condition and progress of programs receiving State funding.

This report, dated June 17, 2010, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller
Division of State Government Accountability
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Introduction

Background

New York State has identified a number of emerging technologies that State resources will be devoted to. By developing research and development facilities throughout the State, especially at private and public colleges and universities, the State intends to develop these emerging technologies to encourage the creation of new high quality, well paying jobs.

The State University of New York at Albany (University) has been identified as a center for three different areas of emerging technologies: Nanotechnology, Cancer Genomics, and Life Sciences. Nanotechnology involves working with atoms to develop materials and devices that are 100 nanometers (one-billionth of a meter) or smaller. Cancer genomics is the study of the genes and mutations that cause a cancer cell to develop within the body. Life Sciences involve advanced research within the fields of biology and chemistry. Our review of the State funding for Nanotechnology research is contained in Report 2010-S-4, Fuller Road Management Corporation & The Research Foundation of the State University of New York, Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Nanotechnology. Our review of the State funding for Life Sciences research may be found in Report 2010-S-5, State University Construction Fund & The State University of New York, Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Life Sciences.

Cancer genomics research is conducted at the University's East Campus, a 95-acre biotech campus located in Rensselaer, New York. The East Campus is intended to create an environment in which life science technologies can be developed into commercially viable businesses, and also to foster the education and clustering of a workforce with the skills necessary to sustain such enterprises.

In the annual budgets enacted between Fiscal Year 2000-01 and Fiscal Year 2008-09, the State Legislature provided \$70.7 million in funding for cancer genomics research conducted at the University in two ways. The first was through appropriations in the State budget directed towards specific research projects and programs. The second was through appropriations for the Empire State Development Corporation (ESDC) and the Dormitory Authority of the State of New York (DASNY) that, in turn, awarded grants for research work conducted at the University.

Whether the money was a direct appropriation by the State Legislature or a grant awarded by a State entity, the University was not responsible for

administering the money. Instead, the funding went to either the Research Foundation of the State University of New York (Research Foundation) or the University at Albany Foundation (University Foundation). The Research Foundation and the University Foundation were responsible for spending the money and for complying with any terms and conditions placed on the funding by either the Legislature or by the funding agency. The University Foundation is also responsible for managing the East Campus on behalf of the University.

As of August 31, 2009, \$47.3 million of \$70.7 million had been spent for capital construction and operating costs. In total, there were five cancer genomics projects that received funding. We reviewed three of them in detail. For the other two projects, the funding had not yet been released at the time of our audit work.

**Audit
Scope and
Methodology**

We audited how the State money provided for research into and development of cancer genomics by the University was spent to determine what was purchased with that money. We also verified that the entities responsible for administering the State money complied with all terms and conditions placed on that money. We did not look at what the money was anticipated to accomplish, such as job creation or retention or business development, as such outcomes were outside of our audit scope. Our audit covers the funding provided between April 1, 2000 and August 31, 2009.

To accomplish our objectives, we reviewed the annual State budgets for Fiscal Year 2000-01 through Fiscal Year 2008-09 to identify all appropriations directed to the University. We also inquired with University Foundation, Research Foundation and State University of New York officials about all appropriations and grants received for emerging technologies, as well as asking officials at ESDC and DASNY about grants they had awarded. We interviewed officials and staff of the various entities involved in providing or receiving State money for emerging technologies. We reviewed grant disbursement agreements, service agreements and other contracts to determine what the State funding was supposed to be used for and what conditions, if any, were placed on that funding. We reviewed supporting documentation for various purchases. Where it was not feasible to review the supporting documentation for all purchases made against a particular appropriation or grant, we judgmentally selected a sample.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State’s accounting system; preparing the State’s financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority The audit was performed pursuant to the State Comptroller’s authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements We provided a draft copy of this report to officials from the Research Foundation, the University Foundation and the State University of New York. Their comments were considered in preparing this report and are included in their entirety at the end of the report.

Contributors to the Report Major contributors to this report include Frank Houston, John Buyce, Ed Durocher, Jennifer Paperman, Nick Angel, Kelly Evers Engel, and Jill McGraw.

Audit Findings

Projects Funded

The State provided five separate appropriations to fund constructing and equipping state-of-the-art cancer genomics research facilities at the East Campus and to fund the operating costs of those facilities. The following Table lists the five appropriations and their purpose, along with the entity that received the funding, the State fiscal year budget in which the funding was initially provided, and the amounts budgeted and spent through August 31, 2009.

State Funding for Cancer Genomics Research

Funding Purpose	Recipient	Year	Budgeted	Spent
Gen*NY*sis Center	UAF	2003-04	\$24,900,000	\$24,900,000
Cancer Research Center	UAF	2006-07	25,000,000	21,641,977
Working Capital Expenses	RF	2007-08	750,000	750,000
Services and Expenses	UABDC	2007-08	10,000,000	0
Capital Construction	UABDC	2008-09	10,000,000	0
<i>Total</i>			\$70,650,000	\$47,291,977
UAF is the University at Albany Foundation RF is the Research Foundation of the State University of New York UABDC is the University of Albany Biosciences Development Corporation				

For two of these five projects, the funding has not yet been released. For the remaining three projects, we determined the terms and conditions placed on the State funding, including what the money could be spent on. We then verified that the University Foundation and Research Foundation had complied with those terms and conditions. Overall, we found that the State funding had been spent as intended: to construct and equip various cancer genomics research facilities at the University and to support research conducted at those facilities.

*Gen*NY*sis Center*

In 2003, DASNY awarded a \$22.5 million grant to the University Foundation for the construction of the Gen*NY*sis Center for Excellence in Cancer Genomics (Gen*NY*sis Center) at the East Campus. This money came from funds provided to DASNY under the Generating Employment through New York Science (Gen*NY*sis) program. The Gen*NY*sis Center is committed to research that will discover the genetic origins of cancer and

lead to finding a cure for the disease. This grant was subsequently increased to \$24.9 million. The total cost of constructing the Gen*NY*sis Center was estimated at \$44.4 million, with the University Foundation arranging other financing sources for the remaining \$19.5 million.

The University Foundation has spent the entire \$24.9 million of the grant award. The money was spent on design and construction, site testing, consultant fees and construction management. We reviewed a sample of the purchases made with this funding and found that the University Foundation had spent the money on costs related to constructing the Gen*NY*sis Center.

Cancer Research Center

In 2006-07, the State provided \$25 million for construction, alterations and improvements, and equipment purchases at the East Campus, including the Cancer Research Center, which is a separate facility from the Gen*NY*sis Center. This money went initially to the State University Construction Fund, which then transferred the money to the University Foundation. The University Foundation has spent \$21.6 million of the \$25 million provided. The money was spent to construct the Cancer Research Center (\$9.4 million), construct the Center for Functional Genomics (\$2.6 million), and make various other improvements on the East Campus (\$9.6 million). We reviewed a sample of the purchases made with this funding and found that the University Foundation has spent the money on costs related to construction and other capital improvements at the University's East Campus.

Working Capital Expenses

In April 2007, ESDC awarded a \$750,000 grant to the Research Foundation to pay for working capital expenses of the Gen*NY*sis Center. This money was intended to pay for salaries and supplies to support expansion of the Gen*NY*sis Center. The Research Foundation has spent the entire \$750,000 of the grant award. The money was spent on salaries (\$570,000) and supplies (\$180,000). We reviewed a sample of the purchases made with this funding and found that the Research Foundation had spent the money on costs related to operations of the Gen*NY*sis Center.

Services and Expenses

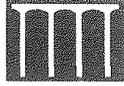
In 2007-08, the State provided \$10 million for services and expenses related to the development of the University's East Campus. This appropriation was directed to the University at Albany Biosciences Development Corporation (Corporation). The Research Foundation and the University Foundation had intended to jointly form this not-for-profit entity to manage

the University's East Campus. Ultimately, the Research Foundation decided not to participate in the Corporation and the University Foundation proceeded with the formation of the Corporation on its own. In December 2009, the Corporation had been formed and was able to receive this State funding. In the interim, the Legislature continued to re-appropriate this funding in the budget. Because the money was provided to the Corporation after the completion of our audit work, we did not expand our audit to include a review of spending against this appropriation.

Capital Construction

In 2008-09, the State provided \$10 million in capital projects funding to the Corporation. Similar to the appropriation for services and expenses of the Corporation, the State could not make these funds available until the Corporation had been formed in December 2009. The Legislature has continued to re-appropriate this funding, though the money has not yet been provided to the Corporation.

Agency Comments



THE UNIVERSITY AT ALBANY FOUNDATION

April 14, 2010

Frank J. Houston
Audit Director
Division of State Government Accountability
Office of the State Comptroller
110 State Street, 11th Floor
Albany, NY 12236

RE: University at Albany Foundation Response to Audit Report 2010-S-6. Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Cancer Genomics.

Dear Mr. Houston:

On behalf of the University at Albany Foundation (UAF) I want to thank the Office of State Comptroller (OSC) for the professional, objective, competent, and thorough audit of the State funds provided to UAF related to the East Campus and cancer research.

The UAF accepts the report as written in its entirety and acknowledge the full compliance and commitment of the OSC to assisting UAF manage state funding efficiently and effectively.

Please do not hesitate to call with any questions. Thank you.

Sincerely,

Fardin Sanai
Executive Director

cc: Nancy Zimpher, Ph.D
George Philip
Michael Abbott
Jeffrey Jones

Agency Comments



THE RESEARCH FOUNDATION

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RE: Audit Report 2010-S-6. Use of State Funding for Research into Emerging Technologies at the State University of New York at Albany: Cancer Genomic.

Dear Mr. Houston:

I am writing on behalf of The Research Foundation of State University of New York (the "Foundation") in response to draft Audit Report 2010-S-6. The Foundation accepts the draft audit report as written and has no requested changes or further response. We thank you and your staff for the cooperation and consideration that were provided to the Foundation staff during the audit.

Sincerely,

Handwritten signature of Kim M. Bessette in cursive.

Kim M. Bessette
Operations Manager

cc: Nancy Zimpher, Ph.D
George Philip
Michael Abbott
Michael Barone
Kevin Wilcox