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

2010-S-4

Thomas P. DiNapoli
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April 22, 2010

Nancy L. Zimpher, Ph.D.          Alain E. Kaloyeros, Ph.D.
Chair                           Senior VP and Chief Executive Officer
The Research Foundation of SUNY  College of Nanoscale Science & Engineering
P.O. Box 9                      University at Albany
Albany, New York 12201          255 Fuller Road
                                Albany, New York 12203

Dear Dr. Zimpher and Dr. Kaloyeros:

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: Nanotechnology*. 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
EXECUTIVE SUMMARY

Audit Objective

Our objective was to determine whether the State University of New York Research Foundation and the Fuller Road Management Corporation spent State funds provided for nanotechnology research at the State University of New York at Albany’s College of Nanoscale Science and Engineering in a manner that complied with all applicable terms and conditions placed on the funding.

Audit Results - Summary

The College of Nanoscale Science and Engineering of the State University of New York at Albany (University) is located in the University’s Albany NanoTech Complex. This facility has five buildings with over 800,000 square feet of office, laboratory and classroom space, including 80,000 square feet of cleanroom facilities. The Albany NanoTech Complex has been built, equipped and operated through a combination of State and private funds. During the 2000-01 through 2008-09 fiscal years, the State provided $876.1 million in funding for nanotechnology research at the University. Overall, we found that the State funding had been spent as intended to construct and equip various nanotechnology research facilities at the University and to support research conducted at those facilities.

The State funding was under the direct control of either the Research Foundation of the State University of New York (Research Foundation) or the Fuller Road Management Corporation (Corporation), a not-for-profit entity established to manage the nanotechnology facilities at the Albany campus. These two entities were required to ensure that the State funds were spent on eligible items, required progress reports were submitted to granting agencies, matching funding from private sources were provided as required, and that advanced funds were held in interest-bearing accounts for the benefit of the State. Neither the University nor the State University of New York had a role in administering the State funding provided for nanotechnology research.

We identified thirteen different nanotechnology research projects that received State support, nine of which we reviewed in detail. These nine projects accounted for $802.1 million in State funding. We found that the Research Foundation and the Corporation spent the State funds to pay for building and equipping facilities and for operating those facilities. When restrictions were placed on the types of purchases that could be made, the Research Foundation and the Corporation complied with those restrictions. The Research Foundation and the Corporation also complied with
other requirements on the State funding, including submitting reports on the financial condition and progress of programs receiving State funding, obtaining matching funds from private sources and earning interest on funds provided in advance of purchases.

Private partners have been extensively involved with building and equipping the Albany NanoTech Complex, as well as the research conducted in its facilities. For two of the projects we reviewed, we were informed that the Research Foundation and Corporation decided to formalize the expectations of each party, including the funding that each would provide. During the audit, we obtained an understanding of internal controls pertaining to State-funded expenditures. Based on the understanding we obtained, the controls appear adequate. However, we did not test compliance with the controls to reach our overall conclusions. Instead, we relied on extensive testing of expenses to related supporting documentation.

This report, dated April 22, 2010, is available on our web site at: http://www.osc.state.ny.us. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller Division of State Government Accountability 110 State Street, 11th Floor Albany, NY 12236
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 controlling matter on the atomic and molecular scale 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 Cancer Genomics research is contained in Report 2010-S-6. Our review of the State funding for Life Sciences research may be found in Report 2010-S-5.

Nanotechnology research is conducted at the Albany NanoTech Complex on Fuller Road. This facility has office, laboratory and classroom space, along with several cleanrooms where manufacturing techniques can be tested. It is home to the University’s College of Nanoscale Science and Engineering as well as a number of private businesses that are working in partnership with the University and the State.

According to its website, the University’s Albany NanoTech Complex, which has received more than $5.5 billion in public and private investments, is a facility dedicated to nanotechnology research, development and prototyping, as well as education. The University expects the facility to encourage economic development in the State by making the State a leader in nanotechnology research and by providing outreach and business incubation services. The Albany NanoTech Complex currently has five buildings totaling over 800,000 square feet, including 80,000 square feet of cleanroom facilities. A number of private firms have partnered with the University, ranging from international companies to local start-ups. These partners have access to the facilities and have created more than 2,500 research and development jobs onsite.

The State invested $876.1 million in funding for nanotechnology research at the University between Fiscal Year 2000-2001 and Fiscal Year 2008-2009. The remaining investment at the Albany NanoTech Complex was
provided by various private partners. We audited the $876.1 million in State funding. To the extent that private contributions were required to receive that funding, we audited a portion of those funds as well.

The State Legislature provided funding for nanotechnology 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 New York State Foundation for Science, Technology and Innovation (NYSTAR) 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 Fuller Road Management Corporation (Corporation), which is a nonprofit formed by the Foundation and the University at Albany Foundation to manage the Albany NanoTech Complex. The Research Foundation and the Corporation 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.

As of August 31, 2009, $672.3 million of the $876.1 million had been spent for capital construction and operating costs. In total, there were thirteen nanotechnology projects that received funding, though some projects received more than one appropriation or grant.

**Audit Scope and Methodology**

We audited how the State money provided for research into and development of nanotechnology 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. Where such outcomes were a condition of receiving funding, we relied on work done by the grant oversight agency (ESDC or NYSTAR) to determine whether those goals were met. We also did not look at how the private funding from corporate partners was used. Our audit covers the funding provided between April 1, 2000 and August 31, 2009.

During the audit, Corporation officials overviewed internal controls pertaining to the expenditure of State funds for our audit period. While we obtained an understanding of the controls in place and while the controls appeared adequate, we did not test compliance with the controls and we
did not evaluate the effectiveness of the controls. Instead, we relied on extensive testing of expenditures to reach our audit conclusions. That testing included all expenses for nine of the thirteen projects funded during our audit scope period. In total we tested $608.3 million of State costs from the $876.1 million of State funds that had been provided as of August 31, 2009 for nanotechnology research at the University.

To accomplish our objectives, we also reviewed the annual State budgets for Fiscal Year 2000-2001 through Fiscal Year 2008-2009 to identify all appropriations directed to the University. We also inquired with Corporation, 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 NYSTAR 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 any other contracts of which we were aware 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. In some instances, we relied on work done by the grant oversight agencies (ESDC and NYSTAR) to verify spending and other conditions. Those instances are so noted in the body of our report.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.
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<tr>
<th>Authority</th>
<th>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.</th>
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<tr>
<td>Reporting Requirements</td>
<td>We provided a draft copy of this report to officials from the State University of New York, the Research Foundation and the Corporation. Their comments were considered in preparing this report and have included them in their entirety at the end of the report.</td>
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<tr>
<td>Contributors to the Report</td>
<td>Major contributors to this report include Frank Houston, John Buyce, Ed Durocher, Jennifer Paperman, Nick Angel, Kelly Evers Engel and Jill McGraw.</td>
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Audit Findings

Projects Funded

The State funded nine capital construction projects to construct and equip state-of-the-art nanotechnology research facilities at the Albany NanoTech Complex. The State also funded the operating costs of four research projects. Table 1 lists the thirteen projects, including whether the Corporation or the Research Foundation received the funding, the State fiscal year in which the funding was first provided and the amounts budgeted and spent through August 31, 2009.

Table 1: State-Funded Nanotechnology Research Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Recipient</th>
<th>Year</th>
<th>Budgeted</th>
<th>Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>CESTM Building</td>
<td>Foundation</td>
<td>2000-01</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>CATN2</td>
<td>Foundation</td>
<td>2001-02</td>
<td>11,132,000</td>
<td>9,687,636</td>
</tr>
<tr>
<td>CENN – Construction</td>
<td>Corporation</td>
<td>2003-04</td>
<td>50,000,000</td>
<td>50,000,000</td>
</tr>
<tr>
<td>SEMATECH – Facilities Development</td>
<td>Foundation</td>
<td>2003-04</td>
<td>160,000,000</td>
<td>160,000,000</td>
</tr>
<tr>
<td>TEL</td>
<td>Foundation</td>
<td>2004-05</td>
<td>100,000,000</td>
<td>90,599,264</td>
</tr>
<tr>
<td>CNSE</td>
<td>University</td>
<td>2005-06</td>
<td>8,255,200</td>
<td>4,048,000</td>
</tr>
<tr>
<td>IMPLSE</td>
<td>Corporation</td>
<td>2005-06</td>
<td>75,000,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>Power Substation</td>
<td>Corporation</td>
<td>2005-06</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>CENN - Operations</td>
<td>Corporation</td>
<td>2006-07</td>
<td>3,749,832</td>
<td>0</td>
</tr>
<tr>
<td>INDEX – Capital</td>
<td>Corporation</td>
<td>2006-07</td>
<td>75,000,000</td>
<td>71,965,542</td>
</tr>
<tr>
<td>INDEX – Operations</td>
<td>Corporation</td>
<td>2006-07</td>
<td>3,000,000</td>
<td>999,537</td>
</tr>
<tr>
<td>INVENT</td>
<td>Corporation</td>
<td>2006-07</td>
<td>75,000,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>SEMATECH – Machinery</td>
<td>Foundation</td>
<td>2008-09</td>
<td>300,000,000</td>
<td>120,000,000</td>
</tr>
<tr>
<td>and Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$876,137,032</td>
<td>$672,299,979</td>
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For nine of these thirteen projects, we identified the terms and conditions placed on the State funding, including what the money could be spent on. We then verified that the Corporation 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 nanotechnology research facilities at the University and to support research conducted at those facilities. In addition, the Corporation and the Research Foundation have provided reports on the use of the funding, obtained matching funds from the private sector partners and remitted the interest earned on grant monies as required. We also found that the University developed formal
agreements with its private sector partners to clearly delineate each party’s roles and responsibilities.

Center for Environmental Sciences and Technology Management

As part of the 2000-01 Budget, the State provided $10 million to expand the Center for Environmental Sciences and Technology Management (CESTM), which was the first building constructed at the Albany NanoTech Complex. This money went to the Research Foundation, and records indicate it was spent exclusively on the design and construction of the CESTM facility. We did not review these costs in detail, primarily due to the extended period that has elapsed since the work was completed.

Center for Advanced Technology in Nanomaterials and Nanoelectronics

The State’s Center for Advanced Technology program is administered by New York State Foundation for Science, Technology and Innovation, commonly known as NYSTAR. The program seeks to foster greater collaboration between universities and industry in an effort to conduct research and commercialize the resulting technology. The University is home to the Center for Advanced Technology in Nanomaterials and Nanoelectronics (CATN2). CATN2 seeks to support research and development, workforce training and economic outreach for industries that manufacture, use, or supply microelectronics, electronics, optoelectronics, bioelectronics, nanotechnology and telecommunications devices and components.

NYSTAR awarded five grants totaling $11.1 million to the Research Foundation for support of CATN2. As of August 31, 2009, the Research Foundation had spent $9.7 million, primarily for salaries ($6.1 million) and equipment ($1.6 million). The remainder was spent on various activities of CATN2, such as supplies used in the research work and costs to attend conferences to present results. We verified a sample of these transactions and concluded that they represented eligible costs related to CATN2.

In addition to specifying eligible costs, the grants also required financial and progress reports from the Research Foundation, as well as matching funds from both the Research Foundation and private industry partners. We reviewed NYSTAR’s records and determined that the Research Foundation had submitted the required reports, and that NYSTAR had verified that the matching funds were provided. We did not perform any additional testing beyond what NYSTAR had done.
Center of Excellence of Nanoelectronics and Nanotechnology

The State’s Centers of Excellence program is administered by the Empire State Development Corporation (ESDC) and seeks to foster greater collaboration between academia and private business. The University is home to the Center of Excellence in Nanoelectronics and Nanotechnology (CENN). CENN seeks to support research and development, product prototyping and workforce training for the nanoelectronics industry. In 2003, ESDC awarded a grant to the Corporation on behalf of CENN for $50 million. The funding was used to construct NanoFab 300 North, a cleanroom facility to house CENN.

The Corporation submitted supporting documentation to ESDC at the time the work was completed. ESDC reviewed this documentation prior to approving payment. We relied on ESDC’s review due to the difficulties in obtaining these older records after so much time. In addition, we reviewed ESDC’s project files and confirmed that the Corporation had submitted all required reports.

In 2005, the grant was amended to include another $10 million. This money was provided to the Corporation to make the down payment for equipment purchased for another program because State funding for that program was not yet available. We reviewed this purchase in detail as discussed later under IMPLSE.

SEMATECH - Facilities Development

International SEMATECH is a global semiconductor technology development consortium composed of several private industry partners. The SEMATECH project at Albany NanoTech Complex is intended to support efforts by International SEMATECH to research, develop and commercialize extreme ultraviolet lithography, which is seen as a critical technology for the future of computer chip manufacturing. In 2003, ESDC awarded a $60 million grant to the Research Foundation to pay for facilities development. The total cost of the SEMATECH project was estimated at $471.5 million and the ESDC grant was subsequently increased to $160 million. The industry partners involved in International SEMATECH contributed the other $311.5 million.

The Research Foundation has spent the entire $160 million of the grant award. The majority of the money was spent to purchase equipment ($86.4 million), obtain support services such as technical consultants ($42.5 million), and purchase supplies for the research work ($9.4 million). The remainder was spent on various activities such as operating the facility and attending conferences to present results. We reviewed a sample of the
purchases made with this funding and verified that the Research Foundation had spent the money on costs related to constructing and equipping the SEMATECH facility.

The grant required the Research Foundation to submit reports on the financial status and progress of the SEMATECH project. The Research Foundation was also required to maintain the grant funds in a separate, interest-bearing account, with the interest sent to ESDC. Based on our review of the ESDC project files, the Research Foundation complied with both of these requirements.

**Tokyo Electron Limited**

Tokyo Electron Limited (TEL), a global supplier of semiconductor production equipment, has established its first research and development center outside of Japan at the Albany NanoTech Complex. In 2004, ESDC awarded a $100 million grant to the Research Foundation to pay for various expenses of the TEL program, including acquisition of equipment and supplies, rental of facilities, and salaries of researchers.

As of August 31, 2009, the Research Foundation had spent $90.6 million of the $100 million grant award. The majority of the money was spent to purchase and install equipment ($68.4 million) and to obtain support services such as technical consultants ($21.7 million). The remainder was spent on various activities such as operating the facility and purchasing supplies for the research work. We reviewed a sample of the purchases made with this funding and found that the Research Foundation has spent the money on costs related to the TEL program. The grant required the Research Foundation to submit reports on the financial status and progress of the TEL program. We found copies of these reports in ESDC’s files.

**College of Nanoscale Science and Engineering**

The University’s College of Nanoscale Science and Engineering (CNSE) offers undergraduate and graduate degrees in nanoscience and nanoengineering. CNSE students also have the opportunity to participate in the various research projects underway at the Albany NanoTech Complex. Since 2005-06, the State budget has included $8.3 million of appropriations to fund services and expenses at CNSE, $4 million of which had been spent through August 31, 2009. This money was part of the overall appropriations provided to the University and so not handled by either the Corporation or the Foundation. We therefore did not review any of the purchases made by the University with this money.
International Multiphase Program for Lithography Science and Engineering

In 2005-06, the State provided a total of $75 million for the International Multiphase Program for Lithography Science and Engineering (IMPLSE), a program to research 193-nanometer immersion and extreme ultraviolet technologies. This money was intended to construct and equip a new IMPLSE research facility. Most of this funding was initially provided to the State University Construction Fund, which transferred it to the Corporation. The Corporation used the entire $75 million to purchase two advanced tools necessary for the IMPLSE program. We reviewed both purchases and found that the Corporation had spent the money on costs related to the IMPLSE program. The Corporation also submitted a final report to the State University Construction Fund, as required.

As previously noted in regard to CENN funding, a portion of the $75 million for IMPLSE came from ESDC rather than from the State University Construction Fund. The down payment on the first piece of equipment was due before the $75 million had been appropriated. Instead, ESDC provided the money for the down payment ($10 million) through its existing grant with the Corporation. The State University Construction Fund then provided the remaining $65 million of the State’s commitment to the project.

Power Substation

During 2005-06, the State provided $5 million to construct a power substation at the Albany NanoTech Complex to provide uninterrupted power for the cleanroom facilities. This funding was initially provided to the State University Construction Fund and transferred to the Corporation, which was responsible for constructing the substation. We reviewed all the purchases made with this funding and found that the Corporation had spent the money on eligible costs directly related to constructing the power substation.

CENN - Operations

The CENN facilities were constructed through an ESDC grant to the Corporation. Subsequently, the State provided an additional $3.7 million to fund operating costs. This money will be provided through a separate grant from ESDC. The Corporation and ESDC were still negotiating the terms of the grant at the time of our review. Since no money had yet been given to the Corporation under this grant, there were no transactions for us to examine.

Institute of Nanoelectronics Discovery and Exploration
As part of the 2006-07 budget, the State provided $75 million to fund the Institute of Nanoelectronics Discovery and Exploration (INDEX), a program to design and demonstrate new computer chip transistor architecture. The money went to ESDC, which then awarded a grant to the Corporation to construct the INDEX research facilities. To date, the Corporation has spent $71.9 million of the $75 million to construct cleanroom facilities in the NanoFab East building ($38.4 million), to purchase equipment for those facilities ($26.5 million) and for other improvements at the Albany NanoTech Complex ($7.0 million). We reviewed a sample of the purchases made with this funding and found that the Corporation has spent the money on eligible costs related to constructing and equipping the INDEX facility.

**INDEX - Operations**

In addition to funding the construction of the INDEX facilities, the State has also provided operating funds for the INDEX program since 2006-07. These funds are also appropriated to ESDC and then provided to the Corporation as a grant. To date, only $1 million of the $3 million in State funding has been made available to the Corporation, which has spent the money primarily on equipment ($591,000) and salaries ($216,000). The remainder of the funding was spent on various operating costs, including facility rental and attendance at national conferences to present on INDEX. We reviewed all the purchases made with this funding and found that the Corporation had spent the money on appropriate costs related to operating the INDEX program. In addition, we verified that the Corporation had submitted a progress report to ESDC, as required by the grant.

**International Venture for Nanolithography**

In 2006-07, the State provided $75 million to construct and equip research facilities for the International Venture for Nanolithography (INVENT), a program to develop new resist processes, understand defect issues, assess process technologies and determine tool performance and reliability. This funding initially went to the State University Construction Fund, which then transferred it to the Corporation. The Corporation spent the entire $75 million to purchase various pieces of equipment ($67.8 million), to install that equipment ($5.7 million) and to pay the Research Foundation interest ($1.5 million) on funds advanced prior to receipt of the State appropriation.

We reviewed all the expenditures charged against this funding and found that the Corporation had spent the money on costs related to constructing and equipping the INVENT facilities. We found that the interest costs were incurred because the Research Foundation had advanced funds to make the initial equipment purchases during a period when State funding was
delayed. We verified that the charges were reasonable and commensurate with the Research Foundation’s cost of borrowing. Finally, we also verified that the Corporation had submitted a final report to the State University Construction Fund as required.

**SEMATECH - Machinery and Equipment**

In 2008, ESDC awarded a $300 million grant to the Research Foundation to purchase machinery and equipment for the SEMATECH project and to develop and deploy nanoelectronics technology resulting from the research. Under the terms of the grant, the Research Foundation is scheduled to receive five equal installments of $60 million each. To be eligible for these installment payments, the Research Foundation must submit evidence of expenditures on eligible project costs and must certify that certain employment goals have been achieved. To date, the Research Foundation has received two installment payments totaling $120 million.

We reviewed a sample of the purchases made with this funding and found that the Research Foundation has spent the money on eligible costs related to the SEMATECH program. We did not verify that the employment goals had been met, as this aspect of the grant was outside of the scope of this audit. We did confirm that ESDC had received a signed affidavit from the Research Foundation certifying that the employment goals had been achieved before funds were disbursed. In addition, we verified that the Research Foundation has submitted all required reports to ESDC.

**Agreements with Private Partners**

The IMPLSE and INVENT projects both included extensive involvement by private sector partners. As a result, for each of these projects, the Research Foundation and the Corporation entered into an agreement with their private partners to clearly define the roles and responsibilities of each party, including the financial resources that each was expected to provide.

We found the agreement governing the INVENT project was developed before State funding commitments were finalized and, as a result, anticipated about $160 million of State funding; significantly more than the $75 million that was ultimately appropriated. Corporation officials told us that the various partners had revised their expectations and undertook other actions to raise the funds necessary to complete the project. Although we found these changes were not reflected in an amendment to the agreement, Corporation officials provided documentation which clearly showed that expectations were modified and that the parties to this agreement were aware of the changes in funding requirements. We verified the Corporation’s receipt of private partner contributions and found that they had contributed
more than what was called for in the revised expectations. While reduced, the partners’ contributions were still proportionately more than the reduced State appropriations.
March 8, 2010

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


Dear Mr. Houston -

On behalf of Fuller Road Management Corporation (FRMC) and the Research Foundation (RF) of the State University of New York, I want to thank the Office of State Comptroller (OSC) for the professional, competent, objective, and thorough audit of the State and private partner funds provided to FRMC and RF on behalf of the College of Nanoscale Science and Engineering (CNSE) of the University at Albany (UAlbany).

The FRMC and RF are particularly appreciative of the efficiency, speed, and professionalism exhibited by the OSC auditing team in providing timely, detailed, and beneficial analysis.

The FRMC and RF accept the report as written in its entirety and acknowledge its flawless coherence to and full compliance with the commitment of the OSC 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."

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

Sincerely,

John Loonan
President

cc: Jerry Barber, CPA, CISA, CGFM  
    Nancy Zimpher, Ph.D.  
    Alain E. Kaloyeros, Ph.D.  
    Michael Abbott  
    Brenda Birken

257 Fuller Road  
Albany, New York 12203