

March 3, 1995
ILR 95-A

President R. Lane Beattie
Utah State Senate
319 State Capitol bldg
Salt Lake City, UT 84114

Subject: Centers of Excellence

Dear President Beattie:

At the request of legislative leadership, our office has conducted an investigation into alleged improprieties at two Centers of Excellence programs at Utah State University. The Centers of Excellence Program is administered through the Office of Technology Development (OTD) in the Department of Community and Economic Development. The Centers of Excellence Program was founded in 1986 to create jobs and high-tech companies through the commercialization of university technology and research. In 1994, an informant alleged that a improprieties existed at the Center for Developmental and Molecular Biology and the National Center for Design of Molecular Function located at Utah State University. Specifically, the informant charged: a) scientific research at the centers is fraudulent; b) program directors have diverted funds for personal use; c) programs are not adequately monitored; and d) members of the advisory council have received grants for their own projects.

Our limited investigation did not find any evidence to support the above allegations. We were unable to find evidence of misappropriation of funds, lack of internal controls, or conflicts of interest involving Advisory Council members. In order to evaluate the scientific merit of the programs, we relied on expertise of the State Advisory Council on Science and Technology. We asked the State Science Advisor to evaluate the scientific reviews conducted on each center. The State Science Advisor concluded that the scientific merit of each center has been adequately reviewed. It should be noted that we did not conduct a full audit of the centers in question. Our investigation was limited to allegations discussed above. The results of our investigation are summarized below.

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Scientific Merit. Currently, the Centers of Excellence Advisory Council reviews proposed projects for scientific merit. The council is comprised of fifteen senior level managers from some of the state's most successful high-tech companies. Council members are assigned to review projects based on their background and experience in that particular field of study. In addition, OTD routinely submits proposed projects to the National Institute of Standards and Technology for scientific review. Because our office lacks the necessary background to evaluate adequacy of OTD's scientific review process, we asked the State Advisory Council on Science and Technology to determine whether the two centers have received adequate scientific review. The Advisory Council reported that each center has been subject to sufficient scientific review by experts in the field of study to validate the scientific merit of each center. A copy of the Advisory Council's report is attached.

Diversion of State Funds. Our limited review disclosed no evidence that state funds have been misappropriated. Our review determined that OTD has adequate internal controls to monitor and track state funds. Expenditures at each center are tracked and monitored by OTD and the university. OTD routinely conducts on-site reviews of accounting files and other documents at each center. In addition, the university monitors expenditures at each center. The centers are required to comply with university procurement and accounting policies. External reviews are also routinely performed on Center of Excellence programs by the State Auditor's Offices and, where federal funds are involved, auditors from federal agencies. We conducted an audit of one month's expenditures to test the accuracy of the accounting system. Our test confirmed that all expenditures were properly documented and accounted for.

Project Monitoring. OTD appears to have adequate procedures in place to monitor the progress of funded projects. OTD staff monitors each Center of Excellence contract on an annual basis. On-site visits are conducted to determine whether programs function as intended and are in compliance with applicable Utah laws. Some of the items reviewed include: files on contracts, schedules of payments, budget reports, invoices, and an assessment of the overall progress of the project. In addition, projects are re-evaluated each year by the Advisory Council to ensure that all benchmarks towards commercialization are being reached before any future funding is appropriated.

Conflicts of Interest. OTD policy prohibits Advisory Council members from voting on projects with which they are personally associated. We found no evidence that Advisory Council members have violated this policy.

We hope this letter has addressed your concerns and questions about the Centers of Excellence. If you have any other questions please feel free to contact us.

Sincerely,

Wayne L. Welsh,
Auditor General

WLW:KDB/lmm
Attachment

Attachment
State Advisory Council on Science and Technology