



University of Colorado Health Sciences Center

Office of Grants and Contracts

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October 14, 2003

Dr. Michael J. Holland
Office of Science and Technology Policy
1650 Pennsylvania Avenue, NW
Washington, DC 20502

Re: Federal Register, August 6 and September 16, 2003 Notice and NSTC Research Business Models Comments (68 FR 54226 and 68 FR 46631)

Dear Dr. Holland:

The University of Colorado Health Sciences Center (UCHSC) received approximately \$217 million in federal awards during Fiscal Year 2003; thus the rules of federal support have a substantial impact on UCHSC's research and processes. We appreciate that you are gathering information from affected parties. We support the evaluation of business models and encourage the process to include and value the many hard-to-quantify results of the research partnership between the federal government and universities, e.g., new knowledge, educated students, and world-renowned research investigators.

Accountability: The UCHSC has a strong commitment to the principles of accountability for public monies. We too are reviewing our systems to ensure efficient and effective use of public funds. UCHSC has funded two new positions (a Director of Regulatory Compliance and a Financial Compliance Auditor) to specifically target and make improvements in our accountability and processes.

We encourage the OSTP and the Subcommittee on Research Models to define accountability in terms of scientific outcomes, not financial/administrative compliance. Universities have had an effective partnership with the federal government that has built a strong research enterprise.

Changes made to OMB Circular A-21 that capped the administrative component of the Facilities and Administrative (F&A) costs rate and defined certain costs as normally F&A costs were made in the government's effort to cut costs without consideration for the long-term result on research productivity. Our scientists must devote ever-increasing hours to administrative details partly because of the decision to restrict direct charging of administrative expenses while capping the administrative reimbursement to universities and partly because of additional unfunded compliance mandates such as HIPAA and select agents.

The application of the Cost Accounting Standards to universities has added considerable administrative burden. It is estimated by the Council on Governmental Relations that the start-up costs of implementing CAS and the Disclosure Statement (DS-2) at the top 100 universities was \$20 million. The requirement for a DS-2 and the expectation by federal agencies that institutions will have an approved DS-2 and will not make changes to cost accounting principles without approval is problematic since the government has never reviewed most of those DS-2's and is not addressing any of the changes.

Inconsistency of policies and practices: We support the principles outlined in the Single Audit Act and OMB Circular A-133. We encourage the Subcommittee to look for more ways to require standard implementation of new requirements by federal agencies. Different implementation by each agency makes it difficult for Universities to achieve process improvements that could be provided through automation.

We are concerned about the agencies requests for additional audits, particularly the disproportionate amount of time the government is advocating for Universities to take on for sub-recipient monitoring.

Variations in agency implementation (or lack of implementation) in a system for disclosing significant financial interests present a challenge for Universities and should be reviewed.

One system should be established that applies to all federal agencies so there is not a proliferation of new forms and procedures. The time-consuming processes of some agencies should not replace the more efficient systems of other agencies. For instance, the NIH funding mechanism is far superior to the Department of Education funding mechanism. NIH allows letter of credit cash draws based on overall funding position with a quarterly reconciliation and reporting on a grant-by-grant basis. Department of Education requires reconciliation and reporting with each draw, a very time-intensive process.

Inconsistencies and support mechanisms: The difference in definitions and requirements for different entities is an on-going challenge. Recently, OMB clarified that for graduate students the IRS definition and the NIH definition of employee-employer relationship do not have to be the same. A similar clarification would be appropriate for post-doctoral scholars who are essential to the research enterprise. Two scholars may work side-by-side, but end up with different tax status, expectations and benefits, depending on the support mechanism – and the support mechanism often changes over the tenure of a post-doctoral appointment. (Visa requirements add an additional complication to the scenario.)

Best practices: We appreciate the positive approach taken by NIH in their recent “*Pro-active Compliance Site Visits*”. We have long found NIH to be a strong partner in the research enterprise. We have concerns about its ability to continue that partnership, as NIH’s staffing has not keep pace with their workload.

State requirements: We have found that the State requirements are more restrictive than Federal regulation; funding received through the State covers less of the Institution’s costs, and the funding includes additional administrative requirements. This is particularly true if funds are routed through state entities first, but also occurs because UCHSC is subject to State requirements. For instance, we currently have to apply all rules of State Procurement when sub-granting funds to other entities under a grant. We have not yet been able to implement the simpler sub-award document developed by the Federal Demonstration Partnership.

Research support and multidisciplinary/collaborative research: We strongly support the peer-review system for funding research. It provides the accountability for scientific outcomes and at the same time encourages scientific progress. Designation of funding for multi-disciplinary work is also critical to encouraging innovative, cross-disciplinary work. Program/project grants out of NIH are an effective tool for promoting collaborative research. We also find the grant mechanism, which is designed to ensure the best science is funded, superior to the contract vehicle, which is designed to reward the lowest bid, for funding university research. Collaborative research will be discouraged if universities must monitor each sub-award and cannot use the A-133 audit as confirmation of sound practices and compliance.

Research infrastructure: If the federal government wants to partner with universities to increase research productivity as was seen during the doubling of the NIH budget, additional resources for research infrastructure need to be made available. UCHSC received twice as many award dollars in Fiscal Year 2003 than it did seven years earlier. In the same period, there has been a 50% increase in the number of awards. In order to accommodate the significant growth, UCHSC is actively rebuilding its campus on one of the decommissioned Army Medical posts in Aurora, Colorado. State funding is not

available for building and so much of the investment is from bond funding which commits future Facilities and Administrative Cost Recovery dollars and thus limits our flexibility to support other infrastructure costs.

Information technology: We have found the lack of development and lack of standardization to not be conducive to automating our own systems. We are also concerned by the expectation that although the governmental agencies have taken a long time to develop their systems, we need to adjust and use them quickly. Each agency and many entities within agencies are pursuing agency specific solutions to electronic development. Purchasing or developing a system is very costly, perhaps a \$1 to \$3 million investment and yet we do not yet know where each of the federal agencies will end up and how much the government's move to privatization will affect what we need.

NIH has been releasing their new e-Grants system. With NIH's expertise, I expect that it will be one of the better systems over time and yet it requires Universities to re-key all data directly into its system. The system does not allow for computer-to-computer interface. For instance: a) reports done in Excel at UCHSC have to be input a second time to submit to NIH, and b) NIH institutes are encouraging faculty members to get access to e-Grants in order to obtain a priority scores, but institutions are responsible for security access and it appears we have to manually input each faculty member to get the faculty member access instead of uploading information from UCHSC system to e-Grants.

We appreciate OSTP's efforts to strive for sound research policy as it tries to implement sound business practices. Thank you for the opportunity to comment. If you would like clarification or additional information, please feel free to contact me at 303.724.0096 or twila.reighley@uchsc.edu.

Sincerely,

Twila Fisher Reighley
Director, Grants and Contracts