



UNIVERSITY
of ALASKA
Many Traditions One Alaska

Corrective Action Plan

Year Ended June 30, 2005

The following corrective action plan is prepared in accordance with Office of Management and Budget Circular A-133, Section .315(c). Accordingly, it is management's response to Finding 2005-1 identified in the University of Alaska Audit in Accordance with OMB A-133 for the year ended June 30, 2005. Finding 2005-1 is presented below with management's response following:

Finding 2005-1

Department of Education, Alaska Native Education Grants (CFDA #84.356)

Criteria or Specific Requirement – According to Section 7304(b) of the Alaska Native Educational Equity, Support and Assistance Act, facilities and administrative cost rates include a five percent limit on the administrative component of the rate.

Condition – For grant award #S356AO30018, the University applied a facilities and administrative cost rate which included an administrative component that exceeded the Department of Education's Alaska Native Education program statute five percent administrative limit.

Questioned Costs – \$92,931. Computed by applying the facilities and administrative cost rate variance to inception to date allowable grant expenditures.

Context – Isolated to this grant.

Effect - The University recovered \$92,931 of administrative costs above the amount allowed by the Department of Education.

Recommendation – The University should return the amount of over recovered administrative costs to the Department of Education or transfer, upon approval by the Department of Education, the amount originally budgeted and recorded for facilities and administrative costs in excess of the capped recovery to direct costs.

Management's Response – The University of Alaska Statewide Administration facilities and administrative cost rate for the Alaska Native Education Grant was originally proposed, budgeted for, and subsequently approved by the Department of Education (DOE) with an administrative component exceeding Alaska Native Education program statute's five percent administrative limit. The indirect cost rate section of the DOE's General Application Instructions (instructions), directed grant applicants to "indicate the applicant's approved, unrestricted, indirect cost rate, per sections 75.560-75.580 of EDGAR." Referenced EDGAR sections did not discuss this program statute. However, the program statute was included with the instructions as an appendix with a website reference. University management did not review the program statute during the proposal review process.

Corrective action will include the following steps:

- The administrative component of the facilities and administrative rate will be reduced to five percent in the University's financial system.
- Facilities and administrative costs will be adjusted to correct amounts.
- A formal budget revision request to move excess facilities and administrative amounts to direct program expense categories will be submitted to the funding agency.
- Management has incorporated review of all program statutes referenced in instructions into the proposal review process.

Completion of corrective action is expected in April 2006.

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