4. Reviewed the purchase documentation for each selected transaction for compliance with established procurement procedures.
5. Reviewed the transaction amounts for agreement with the detailed transaction list.

Personnel Expense Testing

1. Selected one employee's salary expense as a sample for testing personnel costs.
2. Reviewed applicable salary and time allocation documents.
3. Calculated salary expense allocation for the employee and compared the amount to the detailed transaction list.

Facilities and Administration Expense (F&A) Testing

1. Obtained documentation for the established F&A rate.
2. Recalculated the F&A expense for the project using the established F&A rate and cost base.

Testing Results

Data Consistency

API obtained the detailed transaction list which is generated directly from the UCDHSC financial accounting system and the Report of Expenditures which is developed manually for API. This testing confirms that the Report of Expenditures is consistent with the data from the UCDHSC financial system. The total of the detailed transactions list agreed to the total of the Report of Expenditures for the period January 1, 2006 through June 30, 2006. In addition, the subtotals of categories on the Report of Expenditures tied to the detailed transaction list when grouped by category.

Purchase Transaction Testing

UCDHSC provided supporting documentation for each of the 30 sample items selected. The transaction amount total of the sample size represents 98% of the purchase expenses for the period January 1, 2006 through June 30, 2006. Transaction amounts on the supporting documentation agreed to the amounts on the detailed transaction list. Upon review of the selected transactions, two items were of note.

1. UCDHSC processed an invoice from SKC, Inc. for supplies (pump kit and calibrator) in the amount of $6,893.79. The invoice was paid for by a purchase credit card in three separate transactions on the same day ($2,669.91, $2,223.88, $2,000.00). UCDHSC policies indicate that transactions below $4,500 may be paid for by personnel having purchase credit cards without prior approval. When asked about the irregularity of the charges for this invoice, UCDHSC confirmed that the multiple transactions were used to remain below the

$4,500 limit so that the purchase could be expedited. No other transactions were noted that parted with established procurement procedures.

2. The sample included an item with a transaction description "Accrue Unmatched Receipts" for $2,500.00. The amount was the result of an incorrect journal entry to the project expense account. The amount was detected and reversed out in July 2006.

Personnel Expense Testing

Personnel costs are recorded as journal entries for each month based on employee salary and estimated percentage allocation of time to projects. The estimated allocation percentage for each employee is applied against the actual monthly salary and benefit expenses and charged to the project via journal entry. At the end of each semester (fall, spring, summer), a Personnel Effort Reporting Process is performed to verify the actual effort for each employee. Adjustments to expenses are made if the estimates differ significantly from the actual time allocations. There were no such adjustments noted in the review period.

Salary expenses for an employee were recalculated based on salary and allocation documentation. The recalculated salary expense was then compared to the actual expenses in the detail transaction list. No exceptions were noted. The expense for the selected sample represents over 30% of the total personnel expense for the period January 1, 2006 through June 30, 2006.

Facilities and Administration Expense (F&A) Testing

F&A expenses for the project are based on a percentage rate and methodology established with the federal government. API reviewed this agreement noting a 26% F&A rate. The F&A rate is applied to a modified total direct cost base to calculate the F&A expense for each day. The modified total direct cost base consists of all salaries and wages, fringe benefits, materials and supplies, services, travel and subcontracts up to the first $25,000 of each subcontract. Equipment capital expenditures, animal resource center charges, charges for patient care, tuition remission, rental costs, scholarships and fellowships are excluded from the modified total direct cost base.

API obtained a listing of accounts and related expenses for the project through August 2006. Exclusions, as noted above and F&A expense were subtracted from the total expense to arrive at what is considered the modified direct cost base. The F&A percentage of 26% was applied to the modified cost base to recalculate F&A costs for the period. The recalculated F&A expenses agreed to the actual F&A expenses for the project to date through August 2006.

University of Colorado at Denver and Health Sciences Center
Procurement Procedures Review

Attachment A

Items selected for purchase transaction testing

Category	Vendor/Description	Amount
Feasibility Study	COLORADO MULTIPLE INST REVIEW BOARD-REVIEW FEE	$1,500.00
Maintenance	BECKMAN COULTER-SVC AGREEMENT FOR EQUIPMENT	$15,057.50
Non-cap Equipment	ACCRUE UNMATCHED RECEIPTS	$2,500.00
Personnel	HEALTH INS BENEFIT-SPRING'06: KERZIC	$1,049.00
Services	CLINICAL RESEARCH SYSTEMS-DATABASE MANAGEMENT	$1,280.00
Services	GENERAL AIR-STORAGE CYL # 383124	$55.03
Services	JOHN BENNET-CASE DIAGNOSIS FOR CHINA PROJECT	$3,000.00
Services	YUNZHU XU TRANSLATION SERVICE	$2,304.00
Subcontracts	CINCINNATI CHILDRENS HOSPITAL SUBCONTRACT	$11,342.36
Subcontracts	CINCINNATI CHILDRENS HOSPITAL SUBCONTRACT	$48,134.29
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$270.00
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$5,690.91
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$10,418.90
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$31,250.00
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$148,370.32
Subcontracts	EXXONMOBIL BIOMEDICAL SUBCONTRACT 5 - > $25000	$446,198.85
Subcontracts	FUDAN UNIVERSITY SUBCONTRACT 1 - > $25000	$45,805.00
Subcontracts	FUDAN UNIVERSITY SUBCONTRACT 1 - > $25000	$130,350.00
Subcontracts	FUDAN UNIVERSITY SUBCONTRACT 1 - > $25000	$301,230.00
Subcontracts	FUDAN UNIVERSITY SUBCONTRACT 1 - > $25000	$494,078.00
Subcontracts	SHANGHAI MUNICIPAL SUBCONTRACT 2 - > $25000	$2,500.00
Supplies	AACR MEMBERSHIP DUES-IRONS	$245.00
Supplies	BOCA SCIENTIFIC INC-LAB & TECH SHOP SUPPLIES	$2,735.00
Supplies	CHINA SOUTH TECHNOLOGY-LAB & TECH SHOP SUPPLIES	$165,863.00
Supplies	ELSEVIER LTD-PUBLICATIONS LOUDEN	$595.00
Supplies	FISHER SCIENTIFIC-LAB & TECH SHOP SUPPLIES	$1,618.65
Supplies	GENE COMPANY-LAB & TECH SHOP SUPPLIES	$35,532.00
Supplies	NANCYS CATERING-LOUDEN	$103.50
Supplies	SKC INC-LAB & TECH SHOP SUPPLIES	$2,669.91
Travel	LOUDEN-REIMB FOR VISA APPLICATION FOR J. RYDER	$120.00
Total		$1,911,866.