MEMORANDUM

TO:            Chancellors

SUBJECT:     Inappropriate Use of RCUH Revolving Funds
(Reference: VP Research Gaines’ Memo of 1/25/2012)

In follow up to VP Gaines’ 1/25/2012 memo on the inappropriate use of RCUH revolving accounts, RCUH is requesting that fiscal officers provide us with information to determine if PIs may have accepted extramurally-funded awards and are managing them through RCUH revolving accounts.

The attached memo will be sent from Leonard Ajifu, RCUH Director of Finance, to fiscal officers. Please disseminate this information to your Deans and Directors. Everyone’s cooperation will be appreciated. Thank you.

Michael P. Hamnett
Executive Director

cc: James Gaines
    Gary Ostrander
The Research Corporation of the University of Hawaii

Date: January 26, 2012

To: University of Hawaii
   Fiscal Officers

From: Leonard Ajifu, Director of Finance

Re: Inappropriate use of RCUH Revolving Funds – Request for Information

In follow-up to the attached memo from Jim Gaines, VP for Research, we are requesting that all revolving accounts you are responsible for be reviewed to determine if any extramurally sponsored awards (contracts, grants and cooperative agreements) were accepted and are being managed through RCUH revolving accounts. This does not apply to extramural funds received as payment for goods and services sold to users (user fees).

Please complete the attached schedule and forward to Jennifer Chang at jchang@rcuh.com by Friday, February 10, 2012.

Your cooperation and prompt response is appreciated.

C: Michael Hamnett, RCUH Executive Director
   James Gaines, UH VP for Research
   Gary Ostrander, UH Vice Chancellor for Research & Grad Educ
   Chancellors
   Deans & Directors
MEMORANDUM

January 25, 2012

TO: Chancellors

FROM: James R. Gaines, Vice President for Research
       University of Hawai‘i – System

SUBJECT: Inappropriate Use of RCUH Revolving Accounts

It has recently come to our attention that several individuals have used RCUH revolving funds inappropriately to manage extramurally-funded awards that should have been processed through the UH Office of Research Services as extramural contracts and grants.

In the cases brought to our attention so far, cooperative agreements with federal agencies have been signed by UH faculty and staff on behalf of RCUH to obtain funds for research, training, or services, and such funds have been deposited into RCUH revolving accounts. UH faculty and staff are not authorized to enter into award agreements on behalf of RCUH, and the use of RCUH revolving accounts for such purposes is a violation of UH administrative procedures.

UH Systemwide Administrative Procedures A8.931 clearly states that the use of revolving accounts is limited to:

1. Projects involving procurement of goods and services on a cost-reimbursable "user fee basis," which could not otherwise be provided due to the uneconomical cost of specialized facilities, personnel, equipment and maintenance (e.g., research vessel and technical shop-type operations).

2. On-going workshop or conference projects without direct extramural sponsorship involving non-university, out-of-state and international participants that require extensive administrative support due to complex travel, meeting and exhibition arrangements.

3. Projects involving the production of books, periodicals, monographs, journals, and CDs that would not normally be published through the UH Press; providing access to or publishing research data, including maps for purchase or via subscription; or production of limited quantities of commodities developed under research projects for use by other organizations or institutions to further research or non-research activities.
Again, the use of RCUH revolving accounts to manage extramurally-funded contracts and grants is strictly prohibited and may result in disallowances by sponsoring agencies (for which PIs and their Deans/Directors will be financially responsible), and could also result in the closure of the RCUH revolving account. Moreover, from an audit perspective, such actions demonstrate a weakness in internal controls and put both UH and RCUH at high risk for material audit findings. This is a serious situation which may ultimately affect the University’s future funding opportunities and the willingness of UH to allow faculty and staff to use RCUH revolving accounts.

The University and RCUH will be instituting additional internal controls to prevent the misuse of RCUH revolving accounts. As an initial step, we would like Fiscal Officers to review existing RCUH revolving accounts to determine if they are being used to manage contracts, grants, and cooperative agreements that should be run through ORS. RCUH will be issuing a separate memo to Fiscal Officers providing account numbers and requesting additional information. Please respond promptly to this request. Your immediate cooperation is appreciated.

c: Gary K. Ostrander, Vice Chancellor, VCRGE
    Mike Hamnett, Executive Director, RCUH