INSTITUTE FOR SYSTEMS BIOLOGY

Single Audit Reports

For the Year Ended December 31, 2012

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Certified Public Accountants and Consultants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Board of Directors
Institute for Systems Biology
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Institute for Systems Biology (the Institute), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
June 21, 2013

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Board of Directors
Institute for Systems Biology
Seattle, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Institute for Systems Biology's (the Institute's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2012. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Basis for Qualified Opinion on Research and Development Cluster

As described in the accompanying schedule of findings and questioned costs, the Institute did not comply with requirements regarding the Research and Development Cluster as described in finding number 2012-01 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the Institute to comply with the requirements applicable to that program.

Qualified Opinion on Research and Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-02. Our opinion on each major federal program is not modified with respect to these matters.

The Institute's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weaknesses and another that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-02 to be a significant deficiency.

The Institute's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the Institute as of and for the year ended December 31, 2012, and have issued our report thereon dated June 21, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
June 21, 2013

INSTITUTE FOR SYSTEMS BIOLOGY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Program Title/Federal Grantor/Pass-Through Grantor	*Federal CFDA Number*	*Pass-Through Number*	*Fiscal Year Expenditures*
Research and Development Cluster:			
U.S Department of Health and Human Services-			
National Institutes of Health:			
FLU: A Systems Biology Approach to Infectious Disease Research	93.HHSN272200800058C		$ 3,079,908
Seattle Proteomics Center	93.N01-HV-28179		16,485
Human Genome Research	93.172		409,607
Cancer Cause and Prevention Research	93.393		337,509
Cancer Detection and Diagnosis Research	93.394		1,869,167
Cancer Biology Research	93.396		167,585
Trans-NIH Research Support-			
Direct	93.310		791,766
Passed through Rockefeller University	93.310	U54GM103511	87,028
Total for CFDA 93.310			878,794
Cancer Research Manpower	93.398		134,432
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		4,262
Child Health and Human Development Extramural Research	93.865		108,580
Cardiovascular Diseases Research-			
Passed through New York University	93.837	09-1653	1,659
Systems Approach to Immunity and Inflammation-			
Passed through Scripps Research Institute	93.5-75551	5-75551	731,862
Extramural Research Programs in			
the Neurosciences and Neurological Disorders-			
Passed through McLaughlin Research Institute	93.853	MRI 62-06-6119	243,219
National Center for Research Resources-			
Passed through Rockefeller University	93.389	U54 RR022220	65,638
Arthritis, Musculoskeletal and Skin Diseases Research-			
Passed through University of Michigan	93.846	3002168053	11,358
ARRA - Trans-NIH Recovery Act Research Support-			
Direct	93.701		831,034
Passed through Cornell University	93.701	09111781	2,684
Passed through University of Texas	93.701	28442/98113845	68,899
Total for CFDA 93.701			902,617
Biomedical Research and Research Training-			
Direct	93.859		2,026,611
Passed through Cal Tech	93.859	21-B-1085099	68,677
Passed through Rockefeller University	93.859	U01GM098256-01	193,242
Passed through Boston University	93.859	GC208231NGC	207,202
Total for CFDA 93.859			2,495,732
Allergy, Immunology, and Transplantation Research-			
Direct	93.855		4,952
Passed through Seattle Biomedical Research Institute	93.855	ISB-15536	54,426
Passed through University of Washington	93.855	634174	11,496
Total for CFDA 93.855			70,874

See notes to schedule of expenditures of federal awards and independent auditors' report.

INSTITUTE FOR SYSTEMS BIOLOGY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Program Title/Federal Grantor/Pass-Through Grantor	*Federal CFDA Number*	*Pass-Through Number*	*Fiscal Year Expenditures*
Cancer Centers Support Grants-			
Passed through Cal Tech	93.397	68-1090127	400,787
Total U.S. Department of Health and Human Services			**11,930,075**
National Science Foundation:			
Engineering Grants	47.041		103,057
Biological Sciences	47.074		437,855
Education and Human Resources	47.076		2,784
Polar Programs	47.078		24,515
Geosciences-			
Direct	47.050		183,491
Passed through University of Washington	47.050	934650	13,000
Total for CFDA 47.050			196,491
Total National Science Foundation			**764,702**
U.S. Department of Defense:			
U.S. Army Medical Command-			
Blood Biomarkers for Assessing the Exposure and Responses of Mammals to Chemical and Biological Agents	12.W911SR-07-C-0101		(36,579)
Military Medical Research and Development-			
Direct	12.420		692,885
Passed through Georgetown University	12.420	RX4222-802-ISB	1,075,000
Total for CFDA 12.420			1,767,885
Basic Scientific Research-			
Passed through University of California, Santa Barbara	12.431	W911NF-10-2-0111	643,260
Total U.S. Department of Defense			**2,374,566**
U.S. Department of Energy:			
Office of Science Financial Assistance Program-			
Direct	81.049		395,915
Passed through University of Washington	81.049	584589	24,909
Total for CFDA 81.049			420,824
Experimental Design, Implementation-			
Passed through Lawrence Berkeley National Lab	81.DE-AC02-05CH11231	DE-AC02-05CH11231	418,593
Total U.S. Department of Energy			**839,417**
U.S. Department of Commerce:			
National Institute of Standards and Technology (NIST)-			
ARRA - Measurement and Engineering Research and Standards	11.609		769,479
Total U.S. Department of Commerce			**769,479**
Total Research and Development Cluster			**16,678,239**
U.S. Department of Education:			
Office of Elementary and Secondary Education-			
Mathematics and Science Partnerships			
Passed through State of Washington	84.366	0555304	227,508
Total U.S. Department of Education			**227,508**
Total Expenditures of Federal Awards			**$ 16,905,747**

See notes to schedule of expenditures of federal awards and independent auditors' report.

INSTITUTE FOR SYSTEMS BIOLOGY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Note 1 - Method of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Institute for Systems Biology (the Institute) under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the Schedule represent adjustments made in the normal course of business to amounts reported as expenditures in prior years.

INSTITUTE FOR SYSTEMS BIOLOGY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Note 3 - Sub-Recipients

Of the federal expenditures presented in the Schedule, the Institute provided federal awards to sub-recipients as follows:

Program	*CFDA Number*	*Amount*
Military Medical Research and Development:		
Battelle Memorial Institute	12.420	$ 133,532
University of Washington	12.420	28,056
U.S. Army Medical Research and Material Command:		
University of Illinois	12.420	114,014
Engineering Grants:		
University of Illinois	47.041	69,867
Mathematics and Science Partnerships:		
RMC Research Corporation	84.366	22,443
Seattle Pacific University	84.366	5,973
University of Washington	84.366	(5,900)
Trans-NIH Research Support:		
Washington University in St. Louis	93.310	34,496
Cancer Cause and Prevention Research:		
Case Western Reserve University	93.393	130,167
Cancer Detection and Diagnosis Research:		
M.D. Anderson Cancer Center	93.394	465,212
Allergy, Immunology, and Transplantation Research:		
University of California-San Francisco	93.855	(897)
Biomedical Research and Research Training:		
Seattle Biomedical Research Institute	93.859	52,863
University of Washington	93.859	26,393
Utah State University	93.859	4,495
FLU: A Systems Biology Approach to Infectious Disease Research:		
Seattle Biomedical Research Institute	93.HHSN272200800058C	1,442,611
St. Jude Children's Research Hospital	93.HHSN272200800058C	818,259
University of California-San Diego	93.HHSN272200800058C	204,970
Vanderbilt University-VMSR	93.HHSN272200800058C	239,509
Experimental Design, Implementation:		
Molecular & Cellular Biology Program	81.DE-AC02-05CH11231	575
University of Washington	81.DE-AC02-05CH11231	62,910

INSTITUTE FOR SYSTEMS BIOLOGY

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified.	
Internal control over financial reporting:		
- Material weakness(es) identified?	☐ Yes	☒ No
- Significant deficiency(ies) identified?	☐ Yes	☒ None reported.
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:		
- Material weakness(es) identified?	☒ Yes	☐ No
- Significant deficiency(ies) identified?	☒ Yes	☐ None reported.
Type of auditor's report issued on compliance for major programs:	Qualified.	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	☒ Yes	☐ No

Identification of Major Programs:

CFDA Numbers				***Name of Federal Program or Cluster***
12.420	11.609	47.050	93.310	Research and Development Cluster including ARRA
47.074	47.078	81.049	93.837	
93.172	93.846	93.389	93.394	
93.397	93.396	93.847	93.701	
93.853	93.855	93.859	93.398	
47.076	12.431	47.041	93.865	
93.383	93.HHSN272200800058C			
93.N01-HV-28179	93.5-75551			
12.W911SR-07-C-0101	81.DE-AC02-05 CH11231			

Dollar threshold used to distinguish between Type A and Type B programs:	$ 507,172	
Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II - Financial Statement Findings

No matters reported.

Section III - Findings and Questioned Costs for Federal Awards

Finding 2012-01
Internal Controls Over Payroll Costs Charged to Federal Awards

Federal Agency:	U.S. Department of Health and Human Services - National Institute of Health
Program Title:	Systems Approach to Immunity and Inflammation
Pass Through:	Scripps Research Institute
CFDA No.:	93.5-75551
Contract Periods:	09/26/11 - 09/25/12; 09/26/12 - 09/26/13

Federal Agency:	U.S. Department of Health and Human Services - National Institute of Health
Program Title:	Cancer Detection and Diagnosis Research
CFDA No.:	93.394
Contract Periods:	8/1/11 - 7/31/12; 8/1/12 - 7/31/13

Federal Agency:	U.S. Department of Commerce - National Institute of Standards and Technology (NIST)
Program Title:	ARRA - Measurement and Engineering Research and Standards
CFDA No.:	11.609
Contract Periods:	2/4/10 - 12/31/12

Federal Agency:	U.S. Department of Defense
Program Title:	Military Medical Research and Development
Pass Through:	Georgetown University
CFDA No.:	12.420
Contract Periods:	1/19/09 - 1/18/13

Criteria
Per 2 CFR Part 230, Appendix B, compensation for personnel services should be supported by personnel activity reports that include the following:

- The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.
- Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- The reports must be prepared at least monthly and must coincide with one or more pay periods.

Section III - Continued

Condition, Effect, and Context
During our audit, we noted 10 out of 40 instances in which the time and effort reports were not signed by the individual employee or responsible supervisory official. As such, payroll costs charged to federal awards were not properly supported. The 10 instances noted were isolated to two labs within the Institute with federal charges to four specific grants.

Questioned Costs
Unknown.

Cause
The Institute did not consistently follow its policy to ensure that supervisors were reviewing and signing time and effort reports.

Recommendation
We recommend that the Institute only charge federal grants based on signed time and effort reports. Employees and/or a supervisor with firsthand knowledge of the work performed should certify the distribution of time on each time and effort report.

Views of Responsible Officials and Corrective Action Plan
We acknowledge that there were instances in which supervisors did not certify their review of time and effort reports by signature on a timely basis. The 10 instances cited above are all from two lab groups. Further, these two lab groups did not certify their time and effort reports for most months of 2012. However, supervisors for these lab groups have subsequently certified time and effort reports for all staff working on their projects during all months of 2012 and are doing so on a timely basis for 2013.

To avoid future instances as described in this finding, the Institute's finance staff will more actively monitor tracking of time and effort certifications and follow up sooner with the research supervisors if monthly certifications are not completed.

To that end the following steps have been implemented starting with the distribution of May 2013 time and effort reports:

- The payroll accountant will continue to log responses received on a daily basis.

- The director of finance will review the tracking log weekly; during the last week of the report month, he will follow up directly with any principal investigator/budget manager who has not responded to determine the certification status and the plan to respond by the due date.

Also starting with the distribution of the June 2013 time and effort reports, a new transmittal document will be included with the report package sent to each certifying supervisor. This document will include a summary of the certification process, with a clear emphasis of the expected turnaround (by the end of the month following the reported month (e.g. time and effort reports for June activity are due back with signed certifications by the end of July).

Section III - Continued

Finding 2012-02
Internal Controls Over Specialized Service Facility Costs

Federal Agency:	U.S. Department of Health and Human Services - National Institute of Health
Program Title:	FLU: A Systems Biology Approach to Infectious Disease Research
CFDA No.:	93.HHSN272200800058C
Contract Periods:	9/26/11 - 9/25/12; 9/26/12 - 9/25/13

Criteria
Federal cost principles require that specialized service facility costs be charged directly to awards based on actual usage of the services and on the basis of a schedule of rates or established methodology that (1) does not discriminate against federally supported activities of the nonprofit organization, including usage by the nonprofit organization for internal purposes and (2) is designed to recover only the aggregate costs of the services. Rates should be adjusted at least biennially and shall take into consideration over/under applied costs of the previous period.

Condition, Effect, and Context
During our audit, we noted instances in which incorrect specialized service facility rates were charged to one specific grant. The error occurred due to complexities related to determining when work on the grant was being performed by the Institute versus when it was being performed as a part of a subcontract with another research organization.

Questioned Costs
Unknown.

Cause
During 2011, the Institute subcontracted the grant to another research organization but remained the prime recipient on the award. As a result of the transition, errors occurred at times in determining the proper rate to charge the grant when specialized facility services were performed at the Institute.

Recommendation
We recommend that the Institute review its policies and procedures over allocation of specialized service facility costs to ensure compliance with federal cost principles.

Views of Responsible Officials and Corrective Action Plan
We acknowledge that there were errors in choosing whether an internal or external billing rate applied to use of specialized service facilities (SSF) costs for this award during 2012. For this award the choice of billing rate was complicated by the need to determine if the SSF work was being done as ordered by Institute staff or by staff of the Aderem lab group working under a subcontract with another research institute. (Most of the staff of the Aderem lab moved to this other institution in 2011. The Institute remained as the primary recipient of this award, but much of the work was subcontracted to the other institution.)

Views of Responsible Officials and Corrective Action Plan (Continued)

Steps were taken to mitigate the risks of choosing the wrong billing rates by implementing a new user category in the SSF billing software in the summer of 2012. This solution resolved the issue for the ICM, Array, and Shared Equipment SSF: after implementation, the incorrect application of internal/external rates was not repeated for these facilities. The Proteomics charges were identified by ISB and corrected as noted in April, 2013; this facility will also go live with the software solution in July of 2013 to automate billing processes, including the solution specific to this issue.

The choice of billing rate for the Vivarium stems not from the initial work request but rather from budget changes that may occur during approval from the Budget Managers, thus the software solution was not effective. To prevent further occurrences, we have implemented a secondary review process for this facility. After the Budget Manager Review of the billing summary report is complete, rather than sending approved report with changes directly to billing personnel, the report is returned to the Vivarium Manager. The Vivarium Manager is responsible for ensuring that any price changes with respect to internal/external budgets are corrected before submitting final report to billing personnel.

INSTITUTE FOR SYSTEMS BIOLOGY

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2012

Finding 2011-01
Internal Controls Over Specialized Service Facility Costs

Condition, Effect, and Context
During our audit, we noted inconsistencies in the application of the Institute's shared service facility rates. As such the Institute's support for shared service facility costs charged to federal awards was not adequately maintained in some cases.

Current Year Update
Finding was corrected with the exception of charges to one federal grant. See current year finding 2012-02.