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***Battelle Memorial
Institute***

*Report on Federal Awards in Accordance
with OMB Circular A-133 for the
Year Ended September 30, 2007 and
Independent Auditors' Reports*

BATTELLE MEMORIAL INSTITUTE

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BATTELLE MEMORIAL INSTITUTE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Direct Funding									
Agency Code	CFDA	R&D	Federal Agency	Major Sub Agency/Program Title	Total Expenditures	Subcontracted Dollars			
7	RD	Yes	Office of National Drug Control Policy		\$ 1,166,452	\$ 188,800			
10	RD	Yes	Department of Agriculture		33				
11	302	Yes	Department of Commerce	Economic Development-Support for Planning Organizations	190,564				
	431	Yes	Department of Commerce	Climate and Atmospheric Research	10,708				
	478	Yes	Department of Commerce	Center for Sponsored Coastal Ocean Research					
				Coastal Ocean Program	108,303	50,386			
				Science To Achieve Results (STAR) Research Program	84,930	42			
	509	Yes	Department of Commerce		<u>1,348,923</u>	<u>71,711</u>			
	RD	Yes	Department of Commerce		1,743,828	122,339			
12	300	Yes	Department of Defense	Basic and Applied Scientific Research	17,083				
	RD	Yes	Department of Defense	Air Force	47,467,896	27,774,860			
	RD	Yes	Department of Defense	Army	80,979,060	33,740,393			
	RD	Yes	Department of Defense	Navy	94,830,963	27,132,111			
	RD	Yes	Department of Defense	DoD Other	<u>151,783,226</u>	<u>20,423,349</u>			
					375,078,228	109,070,913			
14	RD	Yes	Department of Housing and Urban Development		36,786				
15	RD	Yes	Department of Interior		654,250	283,070			
16	RD	Yes	Department of Justice		878,972	6,229			
17	RD	Yes	Department of Labor	Aviation Research Grants	103,609				
20	108	Yes	Department of Transportation	US Coast Guard	10,216				
	RD	Yes	Department of Transportation	Federal Highway Administration	2,085,489	5,531,945			
	RD	Yes	Department of Transportation	National Highway Traffic & Safety Administration	10,581,373	251,241			
	RD	Yes	Department of Transportation	DOT Other	<u>953,325</u>	<u>318,627</u>			
					15,961,065	6,101,813			
21	RD	Yes	Department of the Treasury	Internal Revenue Service	874,405				
42	RD	Yes	Library of Congress		2,713,894	698,101			
43	RD	Yes	National Aeronautics & Space Administration		5,039,789	1,926,563			
47	70	Yes	National Science Foundation	Computer and Information Science and Engineering	759				
	RD	Yes	National Science Foundation		<u>4,415</u>				
					5,174				

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Agency Code	CFDA	R&D	Federal Agency	Major Sub Agency/Program Title	Total Expenditures	Subcontracted Dollars
66	500	Yes	Environmental Protection Agency	Environmental Protection-Consolidated Research	\$ 259,169	\$ 152
	509	Yes	Environmental Protection Agency	Science To Achieve Results (STAR) Research Program	177	
	511	Yes	Environmental Protection Agency	Office of Research and Development Consolidated		
	RD	Yes	Environmental Protection Agency	Research/Training	503,115	2,000
	RD	Yes	Environmental Protection Agency	National Center for Environmental Assessment	655,716	102,346
	RD	Yes	Environmental Protection Agency	National Exposure Research Lab	1,405,303	135,265
	RD	Yes	Environmental Protection Agency	National Homeland Security Research Center	4,992,766	386,902
	RD	Yes	Environmental Protection Agency	Oceans & Coastal Protection Division	1,410,312	299,374
	RD	Yes	Environmental Protection Agency	Office of Pollution Prevention	2,251,182	104,041
	RD	Yes	Environmental Protection Agency	Office of Science & Technology	502,026	62,841
	RD	Yes	Environmental Protection Agency	Office of Science Coordination & Policy	1,098,720	224,733
	RD	Yes	Environmental Protection Agency	National Risk Management Research Lab	5,078,767	505,281
	RD	Yes	Environmental Protection Agency	EPA Other	<u>1,822,222</u>	<u>210,967</u>
					19,979,475	2,033,902
77	RD	Yes	Nuclear Regulatory Commission		411,232	77,846
81	49	Yes	Department of Energy	Office of Science Financial Assistance Program	79,006	67,100
	86	Yes	Department of Energy	Conservation Research and Development	625,348	
	89	Yes	Department of Energy	Fossil Energy Research and Development	7,564,441	1,766,813
	RD	Yes	Department of Energy	National Energy Technology Lab	34,400	
	RD	Yes	Department of Energy	DOE Other	<u>2,255,468</u>	<u>325,479</u>
					10,558,663	2,159,392
83	RD	Yes	Federal Emergency Management Agency		9,453,166	2,780,950
93	242	Yes	Department of Health and Human Services	Mental Health Research Grants	1,396,914	624,735
	262	Yes	Department of Health and Human Services	Occupational Safety and Health Program	408,156	147
	273	Yes	Department of Health and Human Services	Alcohol Research Programs	291,970	34,862
	279	Yes	Department of Health and Human Services	Drug Abuse and Addiction Research Programs	414,258	52,256
	283	Yes	Department of Health and Human Services	Centers for Disease Control and Prevention -		
				Investigations and Technical Assistance	35,442	
	361	Yes	Department of Health and Human Services	Nursing Research	424,325	128,468
	399	Yes	Department of Health and Human Services	Cancer Control	463	
	838	Yes	Department of Health and Human Services	Lung Diseases Research	49,971	
	848	Yes	Department of Health and Human Services	Research (B)	(3,739)	
	864	Yes	Department of Health and Human Services	Exploratory/Development Grant	22,591	
	865	Yes	Department of Health and Human Services	Child Health and Human Development		
				Extramural Research	1,080,345	2,760
	866	Yes	Department of Health and Human Services	Aging Research	(1,095)	
	RD	Yes	Department of Health and Human Services	National Institute Allergy & Infectious Disease	14,103,161	35,640
	RD	Yes	Department of Health and Human Services	Center for Disease Control	23,365,445	1,347,238
	RD	Yes	Department of Health and Human Services	Food and Drug Administration	2,406,457	146,368
	RD	Yes	Department of Health and Human Services	National Institute Environmental Health Science	23,503,425	220,536
	RD	Yes	Department of Health and Human Services	National Cancer Institute	2,427,027	121,103
	RD	Yes	Department of Health and Human Services	HHS Other	<u>6,625,455</u>	<u>1,021,283</u>
					76,550,571	3,735,396

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Agency Code	CFDA	RAD	Federal Agency	Major Sub Agency/Program Title	Total Expenditures	Subcontracted Dollars	Contract Reference
97	69	Yes	Department of Homeland Security	Aviation Research Grants	\$ 406,414	\$	
	RD	Yes	Department of Homeland Security	Transportation Security Administration	21,495,981	6,216,847	
	RD	Yes	Department of Homeland Security	Homeland Security Other	29,564,099	4,115,387	
					51,466,494	10,332,234	
99	RD	Yes	Miscellaneous		134,787		
				Total direct funding	572,810,873	139,517,548	
2. Indirect Funding (Batelle is Sub recipient/Subcontractor)							
Agency Code	CFDA	RAD	Federal Agency	Prime/Upper Tier Contractor	Total Expenditures	Subcontracted Dollars	Contract Reference
10	RD	Yes	Department of Agriculture	For-profit Organizations	\$ 3,523	\$	3030-USDA phase II
	RD	Yes	Department of Agriculture	Kansas State University	(1,046)		SG3081
	RD	Yes	Department of Agriculture	Texas Agricultural Experiment Station	2,873		570308
	RD	Yes	Department of Agriculture	National Center for Atmospheric Research	77,274		S07-58281
					82,624		
11	463	Yes	Department of Commerce	Lower Columbia River Estuary Partnership	24,394		None
	RD	Yes	Department of Commerce	For-profit Organizations	13,949		5718344
	RD	Yes	Department of Commerce	Skegitt River Watershed Council	58,506		012 Batelle Sub
	RD	Yes	Department of Commerce	JISA/OSMA Climate Impacts Group, University of Washington	6,224		842470
	RD	Yes	Department of Commerce	Scipps Institution of Oceanography, UCSD	35,214		10249341
	RD	Yes	Department of Commerce	Northwest Maritime Center	3,057		49747
	RD	Yes	Department of Commerce	Kitsap County	23,735		48392
					165,079		
12	630	Yes	Department of Defense	University of Maine	11,872		UM-S530
	RD	Yes	Department of Defense	For-profit Organizations	96,896,356	1,242,552	SUBCONTRACT G24101 - FY08
	RD	Yes	Department of Defense	Bowling Green State University	16,049		W91INF-06-1-0337
	RD	Yes	Department of Defense	Henry M Jackson Foundation	593		Contract No. 0000001
	RD	Yes	Department of Defense	Johns Hopkins University	15,629		SUBC NO. 912690
	RD	Yes	Department of Defense	Lincoln University of Missouri	105		SUBCONTRACT
	RD	Yes	Department of Defense	Logistics Management Institute	109,000	38,399	SUBCONTRACT NO. 0502/TO 03
	RD	Yes	Department of Defense	National Institute for Building Sciences	91,874	33,161	SUBCONTRACT / 48061 / N62470-03-D-1129
	RD	Yes	Department of Defense	Rutgers University	14,445		00003185
	RD	Yes	Department of Defense	Scipps Institution of Oceanography, UCSD	3,330		10275474
	RD	Yes	Department of Defense	Southwest Research Institute	38,119		SUBCONTRACT NO. 36-000275
	RD	Yes	Department of Defense	SRI International	428,447		SUBAWARD NO. 2007-035
	RD	Yes	Department of Defense	State of Alabama	35,619	6,750	SUBAWARD NO. 2007-035
	RD	Yes	Department of Defense	State of South Carolina			SUBAWARD NO. 2007-035
	RD	Yes	Department of Defense	State of Utah	897,034	206,039	SUBCONTRACT AGREEMENT NO. 2406019, 2503107
	RD	Yes	Department of Defense	University of Dayton Research Institute	125,608	12,920	AGREEMENT NO. RSC07022
	RD	Yes	Department of Defense	University of Oregon	157,870	49,507	AGREEMENT NO. RSC07022
	RD	Yes	Department of Defense	Utah State University	12,245		FA8750-07-C-0163
					98,854,195	1,559,821	

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Agency Code	CFDA	R&D	Federal Agency	Prime/Upper Tier Contractor	Total Expenditures	Subcontracted Dollars	Contract Reference
14	RD	Yes	Department of Housing and Urban Development	For-profit Organizations	\$ 71,895	\$ -	HHSI-05-S-1002/WA P.O. 2006-02
	RD	Yes	Department of Housing and Urban Development	State of New York	85,227		CP036376
					157,122		
15	RD	Yes	Department of the Interior	For-profit Organizations	41,765		SUBCONSULTANT AGREEMENT
	RD	Yes	Department of the Interior	University of Alaska - Fairbanks	1,052		UAF 06-0035
					42,817		
16	RD	Yes	Department of Justice	NYPD — Office of Management Analysis & Planning	124,271		2003-90302
17	RD	Yes	Department of Labor	For-profit Organizations	2,093,581		AF-12985-03-30, T/O #10
19	RD	Yes	Department of State	International Atomic Energy Agency	24,371	13,077	2004-0454-1
20	RD	Yes	Department of Transportation	For-profit Organizations	4,956,111	30,387	AGREEMENT NO. S5000304
	RD	Yes	Department of Transportation	American Association of State Highway and Transportation Officials	16,058		AGREEMENT NO. OP31979
	RD	Yes	Department of Transportation	Hope College	13,828		PO 57472
	RD	Yes	Department of Transportation	National Transportation Research Center, Inc.	(62)		COOPERATIVE AGREEMENT NO. DTFH61-02-X-00102
	RD	Yes	Department of Transportation	State of Illinois	2,154	1,864	CONTRACT NO. A004344
	RD	Yes	Department of Transportation	State of Michigan	385,045		SUBCONTRACT F015555
	RD	Yes	Department of Transportation	State of Ohio	33,421		ODOT AGREEMENT NO. 20373
	RD	Yes	Department of Transportation	State of Utah	6,753	7,813	CN 068245/PROJECT NO. ITS-9999(395)
	RD	Yes	Department of Transportation	Transportation Research Board	154,054	42,017	HR 17-31
					5,577,362	82,081	
21	RD	Yes	Department of The Treasury	For-profit Organizations	1,317,987	865,981	NA
43	RD	Yes	National Aeronautics & Space Administration	For-profit Organizations	295,729	40,065	UNKNOWN
	RD	Yes	National Aeronautics & Space Administration	Indiana University	6	10411-0119	
	RD	Yes	National Aeronautics & Space Administration	Ohio Aerospace Institute	204,637	19,963	NCO5AA03A
	RD	Yes	National Aeronautics & Space Administration	State of Maryland	161,490		SUBAWARD NO./PO 0000003276/ACCT NO. 00002389
	RD	Yes	National Aeronautics & Space Administration	University of Utah	5,686	122189	
	RD	Yes	National Aeronautics & Space Administration	University of California, San Diego	145,876	10233662	
	RD	Yes	National Aeronautics & Space Administration	University of Michigan	49,433	F015599\3000763586	
					862,857	60,028	

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Agency Code	CFDA	R&D	Federal Agency	Prime/Upper Tier Contractor	Total Expenditures	Subcontracted Dollars	Contract Reference
47	49	Yes	National Science Foundation	Ohio State University	\$ 149,950	\$ 643	60605440
	RD	Yes	National Science Foundation	For-profit Organizations	68,278	1,915	SUBCONTRACT NO. 6072-04-007
	RD	Yes	National Science Foundation	John Hopkins University	(120)		8311-53712
	RD	Yes	National Science Foundation	Smith College	1,307		636481
	RD	Yes	National Science Foundation	University of California Observatories	18		44K-1067934
	RD	Yes	National Science Foundation	University of Washington	21		696161
					219,454	2,558	
64	RD	Yes	Department of Veterans Affairs	For-profit Organizations	602		PURCHASE AGREEMENT AND PO C04-025075
66	439	Yes	Environmental Protection Agency	Jamestown S'Klallam Tribe	5,031		None
	439	Yes	Environmental Protection Agency	Jamestown S'Klallam Tribe	132,796		46828
	605	Yes	Environmental Protection Agency	Washington State Department of Ecology	35,954	97,956	C0709248
	RD	Yes	Environmental Protection Agency	For-profit Organizations	336,234		DAIS SUBCONTRACT NO. 093408/TO-01-07-0004
	RD	Yes	Environmental Protection Agency	Eastern Research Group	22,846		0170.04.0352
	RD	Yes	Environmental Protection Agency	Great Lakes Commission	20,708		BATTELLE PROPOSAL NO. CP038080
	RD	Yes	Environmental Protection Agency	Health Effects Institute	31,773		HEI RESEARCH AGREEMENT #01-5A-2
	RD	Yes	Environmental Protection Agency	State of Alabama	22,965		BATTELLE PROPOSAL NO. OFP32410R
	RD	Yes	Environmental Protection Agency	State of California	7,342		AGREEMENT NO. SA4960
	RD	Yes	Environmental Protection Agency	State of North Carolina	0		5-35324
	RD	Yes	Environmental Protection Agency	State of Ohio	3,710		68-C-00-159/TO 52
					819,359	97,956	
77	RD	Yes	Nuclear Regulatory Commission	For-profit Organizations	1,468		LINK-NRC-ACRS-2006
81	49	Yes	Department of Energy	For-profit Organizations	97,984		LIT-FE68423
	49	Yes	Department of Energy	Drexel University	16		Project #210018
	RD	Yes	Department of Energy	For-profit Organizations	26,033,659	889,156	SUBCONTRACT AGREEMENT 06-001
	RD	Yes	Department of Energy	Brown University	129,954		1544-21655/P986934
	RD	Yes	Department of Energy	Commercial Vehicle Safety Alliance	49,919		DE-FC01-94RW00295 / 48108
	RD	Yes	Department of Energy	DOE Lawrence Livermore National Lab LLC	41,930		EG005830H35
	RD	Yes	Department of Energy	FutureGen Industrial Alliance, Inc.	5,268,303	1,678,615	50050
	RD	Yes	Department of Energy	Iowa State University - Iowa Energy Center	446		15 29892 00
	RD	Yes	Department of Energy	Lower Columbia River Estuary Partnership	228,966	3,177	None
	RD	Yes	Department of Energy	Midwest Research Institute	225,114		TO KAF-9-29764-28/TIER 3 TECHNICAL SERVICES
	RD	Yes	Department of Energy	Montana State University	303,050	21,340	G141-06-W0831
	RD	Yes	Department of Energy	Research Triangle Institute	84,162	25,218	1-312-0210413
	RD	Yes	Department of Energy	SM Stoller	2,690,425		STLR-3730-002CP
	RD	Yes	Department of Energy	University of Chicago, Division of the Biological Sciences	468		U135189
	RD	Yes	Department of Energy	Washington State University	4,643		C000098
					35,159,039	2,617,506	
83	RD	Yes	Federal Emergency Management Agency	Virginia Polytechnic Institute & State University			CR 19615-425443

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Agency Code	CFDA	RAD	Federal Agency	Prime/Upper Tier Contractor	Total Expenditures	Subcontracted Dollars	Contract Reference
93	3	Yes	Department of Health and Human Services	Pennsylvania State University	\$ (824)	\$	SUBCONTRACT NO. 2781-BML-COP-4444
113	Yes	Department of Health and Human Services	University of Washington	University of Washington	129,802		UW CONTRACT NO. 378170
113	Yes	Department of Health and Human Services	University of Idaho	University of Idaho	25,911		ABK147-04-B
279	Yes	Department of Health and Human Services	Department of Health and Human Services	Department of Medicine & Dentistry of New Jersey	49,765		PO341348
389	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Washington	23,419		198778
399	Yes	Department of Health and Human Services	Department of Health and Human Services	Fred Hutchinson Cancer Research Center	128,290		0006623783
839	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Rochester School of Medicine & Dentistry	42,613		None
847	Yes	Department of Health and Human Services	Department of Health and Human Services	Oregon Health Science University	4,817		None
853	Yes	Department of Health and Human Services	Department of Health and Human Services	University of California, Los Angeles	404,445		1490 G GE528
859	Yes	Department of Health and Human Services	Department of Health and Human Services	Rutgers University	(30,538)		S492970 / 1865 /4-21451
866	Yes	Department of Health and Human Services	Department of Health and Human Services	Massachusetts General Hospital	1,040,835	38,281	44301
869	Yes	Department of Health and Human Services	Department of Health and Human Services	Washington State University (Tri Cities)	38,216		S/K# G001314
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Southern California	1,252,606		SUBAWARD NO. H35643
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of California - Berkeley	38,667	5,094	SUBAWARD NO. SA3162-32119
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	For-profit Organizations	5,321,066	155,349	CMA HGS1 NO. CP053709/N104500
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	American Type Culture Collection	524,023		BOA-03-2005-001/TASK 5
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Brandeis University	182,754		SUBCONTRACT AGREEMENT
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Children's Hospital of Philadelphia	72,842		CHOP REF NO. 320743-03-01
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Duke University	97,305		303-1505
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Human Resources Research Organization	4,756		P.O. NO. 6439/6457
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Johns Hopkins University	638,954		P.O. #8606-88167
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	National Association of County & City Health Officials	144,771		NACCHO CONTRACT #2006-081001
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	St. Louis University	72,431		1 R01 HS014007-01A1, 3 R01 HS014007-02
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Arkansas Department of Health & Human Services	293,783		VENDOR #100080230
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Colorado State University	1,974		SUBAWARD NO. G-7620-2
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Illinois - Chicago	22,827		H6636422101 (Yr 1) - H6636422102 (Yr 2)
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Minnesota	1,505		C304205001
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Missouri Department of Health & Senior Service	1,159,726		UNC-CH 5-34835
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of North Carolina - Chapel Hill	328		P.O. RF01034514/PROJECT NO. 741154
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Ohio State University Research Foundation	(5,584)		BCO PROPOSAL #OP932147
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	State of Washington	(8,881)		SUBAWARD NO. 22073-01635-S01
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Syracuse University	641		AGREEMENT NO. CP059521
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	The Urban Institute	663,299		AGREEMENT NO. H36118
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Chicago	497		RISK MEMO - DO NOT BILL
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Southern California	111,155		400-30-5
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Washington	144,187		579841
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Vanderbilt University	14,021		565961/129928
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	The Molecular Sciences Institute	486,297	(523)	FY2002-089
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	Fred Hutchinson Cancer Research Center	29,764	13	5 P01 ES011617-03
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Washington	138,496		1490 G GE528
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Kansas Center for Research, Inc.	(203,671)		PO348897
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Alabama at Birmingham	24,600		
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of California, Los Angeles			
RD	Yes	Department of Health and Human Services	Department of Health and Human Services	University of Medicine & Dentistry of New Jersey			
					13,082,111	198,214	

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Agency Code	CFDA	R&D	Federal Agency	Primer/Upper Tier Contractor	Total Expenditures	Subcontracted Dollars	Contract Reference
97	RD	Yes	Department of Homeland Security	For-Profit Organizations	\$ 4,566,324	\$ 252,184	HSRDC-07-C-00020
	RD	Yes	Department of Homeland Security	Battelle National Biodefense Institute, LLC.	1,548		G88260107
	RD	Yes	Department of Homeland Security	Northern Virginia Hospital Alliance	4,310		BATTELLE PROPOSAL NO. CP039400
	RD	Yes	Department of Homeland Security	Shoreline Police Department	19		2750
					4,572,201	252,184	
99	RD	Yes	Miscellaneous	For-Profit Organizations	22,884		P.O. NO. JG 101B6-BAT-01
		Yes		State of Oregon	7,076		AGREEMENT NO. OP46465
		Yes		Arizona Biomedical Research Commission	337,997	76,683	CONTRACT #BATAMD2
		Yes		State of Connecticut	37,491	808	OP36406
		Yes		Illinois Clean Coal Institute	37,783	32,369	SUBGRANT AGMT NO. ICCI 04-1/3.2D-1
		Yes		University of Massachusetts — Boston	134,480	17,261	PURCHASE ORDER 0002020334/CONTRACT ID BB07MK0005, 0002204946
		Yes		Montana Department of Transportation	3,511		CONTRACT #307040
		Yes		Board of Regents of the University of Nebraska	7,031	1,959	TSA #OP36159/25-6805-003-007
		Yes		Ohio Department of Development	568,339	133,286	GRANT NO. 06-33
		Yes		Ohio Department of Job & Family Services	792,852	486,917	PO #W60JAG, TASK ORDER #TO05002, RFP #0A0401, #W60JSE
		Yes		Ohio Office of Information Technology	4,366,618	3,913,797	PURCHASE ORDER NO. FY06010, FY6017 & FY6052
		Yes		Washington Department of Transportation	1,391		AGREEMENT NO. 253750
					6,317,453	4,663,080	
				Total indirect funding	169,433,953	10,412,486	
				TOTAL EXPENDITURES OF FEDERAL AWARDS OF THE RESEARCH AND DEVELOPMENT CLUSTER	\$ 742,244,826	\$ 149,930,034	

(Concluded)

BATTELLE MEMORIAL INSTITUTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying schedule of expenditures of federal awards (the “Schedule”) summarizes the expenditures of Battelle Memorial Institute and subsidiaries (“Battelle”) under programs funded by the federal government for the year ended September 30, 2007. The Schedule has been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and includes all grants and contracts entered into directly between Battelle and agencies and departments of the federal government, as well as federal funds passed through to Battelle by other recipients. In accordance with OMB Circular A-133, the Schedule does not include amounts received to operate government-owned, contractor-operated facilities.

Research and Development Cluster — OMB Circular A-133 defines research and development as follows: research is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied; development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Subrecipient — Certain funds are passed-through to subgrantee organizations by Battelle. Expenditures incurred by the subgrantees and reimbursed by Battelle are presented in the Schedule.

Battelle is also the subrecipient of federal funds which have been reported as expenditures and listed as federal pass-through funds.

2. NONCASH FEDERAL AWARDS

During the year ended September 30, 2007, Battelle did not receive nonmonetary assistance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL PROGRAM EXPENDITURES

Expenditures consist of direct and indirect costs. Direct costs are those that can be easily identified with an individual federally sponsored project. The salary cost of a Lead Scientist or Technical Specialist and the materials consumed by the project are examples of direct costs.

Battelle uses indirect costs rates to charge indirect costs to individual federally sponsored projects. Indirect costs are the costs of services and resources that benefit both federally sponsored and nonsponsored projects. The rate is the result of a number of complex cost allocation procedures that Battelle uses to allocate its indirect costs to both federally sponsored and nonsponsored activities. The indirect costs allocated to federally sponsored projects are divided by the direct costs of federally sponsored projects to arrive at a rate. Before the rates are used, the Defense Contract Audit Agency must approve them.

4. CLASSIFIED INFORMATION

Due to the nature of research and development that Battelle performs on behalf of the Federal Government, various contracts and project information is considered either "Top Secret," "Secret," or "Classified." As a result, the Schedule reflects summarized data by agency in order to properly safeguard various information as required by the Federal Government.

5. RELATIONSHIP TO CONSOLIDATED FINANCIAL STATEMENTS

Federal awards in the amount of \$742,244,826 are reported as a portion of total project revenue in Battelle's consolidated financial statements as revenue from operations.

* * * * *

INDEPENDENT AUDITORS' 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

To the Board of Directors of
Battelle Memorial Institute
Columbus, OH

We have audited the consolidated financial statements of Battelle Memorial Institute ("Battelle") as of and for the year ended September 30, 2007, and have issued our report thereon dated December 17, 2007, which included an explanatory paragraph on a change in the method of accounting for pension and postretirement benefits and the adoption of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statement Nos. 87, 88, 106, and 132R*. We conducted our audit in accordance with 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 of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Battelle's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Battelle's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Battelle's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration on the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Battelle's consolidated financial statements are free of 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*.

We noted certain matters that we reported to management of Battelle in a separate letter dated December 17, 2007.

This report is intended solely for the information and use of the Board of Directors and management of Battelle, federal awarding agencies, state funding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

December 17, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Battelle Memorial Institute
Columbus, OH

COMPLIANCE

We have audited the compliance of Battelle Memorial Institute and subsidiaries ("Battelle") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. Battelle's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Battelle's management. Our responsibility is to express an opinion on Battelle's compliance based on our audit.

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 Battelle'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. Our audit does not provide a legal determination on Battelle's compliance with those requirements.

In our opinion, Battelle complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007. However, the results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-01.

INTERNAL CONTROL OVER COMPLIANCE

The management of Battelle is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Battelle's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Battelle's internal control over compliance.

A control deficiency is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration on internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

Battelle's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Battelle's responses, and accordingly, we express no opinion on it.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the consolidated financial statements of Battelle as of and for the year ended September 30, 2007, and have issued our report thereon dated December 17, 2007. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. This schedule is the responsibility of the management of Battelle. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and management of Battelle, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



December 17, 2007

BATTELLE MEMORIAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED September 30, 2007

PART I — SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- | | | |
|--|-----------------|----------------------------|
| 1. Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Reported |
| 3. Noncompliance material to the financial statements noted? | <u> </u> Yes | <u> X </u> No |

FEDERAL AWARDS:

- | | | |
|--|------------------|---------------------------|
| 4. Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| 5. Significant deficiencies identified not considered to be material weaknesses? | <u> X </u> Yes | <u> </u> None Reported |

Type of auditors' report issued on compliance for major programs:

Unqualified

- | | | |
|--|----------------------------------|-----------------|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a) | <u> X </u> Yes | <u> </u> No |
| 7. Battelle's major program was | Research and Development Cluster | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$ 3,000,000 | |
| 9. Auditee qualify as low risk auditee | <u> </u> Yes | <u> X </u> No |

PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters were reportable.

PART III — FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS:

07-01

Federal Program — Research and Development Cluster

CFDA Number — Research and Development Cluster

Federal Grantor/Project Number —

Agency Code	CFDA	Agency	Prime/Upper Tier Contractor or Contract Reference
11	431	Department of Commerce	Climate and Atmospheric Research Center for Sponsored Coastal Ocean Research Coastal Ocean Program Science To Achieve Results (STAR) Research Program
11	478	Department of Commerce	
11	509	Department of Commerce	
11	RD	Department of Commerce	Basic and Applied Scientific Research
12	300	Department of Defense	
12	RD	Department of Defense	
12		ARMY	
12		DOD Other	
12		NAVY	
14	RD	Department of Housing And Urban Development	
15	RD	Department of the Interior	
20	RD	Department of Transportation	
20		Federal Highway Administration	
42	RD	Library of Congress	
43	RD	National Aeronautics And Space Administration	
47	70		
		National Science Foundation	
66	509		Computer and Information Science and Engineering Science To Achieve Results (STAR) Research Program
		Environmental Protection Agency	
66	RD	Environmental Protection Agency	
66		EPA National Risk Management Research Laboratory	
66		EPA Office of Science Coordination & Policy	
66		EPA National Exposure Research Lab	
81	RD	Department of Energy	
81		National Energy Technology Lab	
93	262		Occupational Safety and Health Program Lung Diseases Research Research (B)
		Department of Health And Human Services	
93	838	Department of Health And Human Services	
93	848	Department of Health And Human Services	
93	RD	Department of Health And Human Services	
93		National Institute of Environmental Health Sciences (NIEHS) (NIEHS)	
93		National Institute of Health (NIH)	Aviation Research Grants
97	69	Department of Homeland Security	
97	RD	Department of Homeland Security	
10	RD	Department of Agriculture	
10		Kansas State University	
10		Texas Agricultural Experiment Station	
10		National Center for Atmospheric Research	
11	463	Department of Commerce	
11	RD	Department of Commerce	
11		Skagit River Watershed Council	
11		JISAO/SMA Climate Impacts Group, University of Washington	
11		Scripps Institution of Oceanography, UCSD	
11		Northwest Maritime Center	
11		Kitsap County	

(Continued)

Agency Code	CFDA	Agency	Prime/Upper Tier Contractor or Contract Reference
12	630	Department of Defense	UM-S530
12	RD	Department of Defense	297435
12		National Institute for Building Sciences	47832 / 48061 / N62470-03-D-1129
12		Rutgers University	3185
12		Scripps Institution of Oceanography, UCSD	10275474
12		University of Oregon	49507
12		Bowling Green State University	W911NF-06-1-0337
12		Utah State University	FA8750-07-C-0163
15	RD	Department of the Interior	4122402
15		University of Alaska — Fairbanks	UAF 06-0035
16	RD	Department of Justice	2003-90302
19	RD	Department of State	2004-0454-1
21	RD	Department of The Treasury	NA
43	RD	National Aeronautics And Space Administration	2600602
43		Indiana University	10411-0119
43		University of Utah	122189
43		University of California, San Diego	10233662
43		University of Michigan	F015599 \ 3000763586
47	49	National Science Foundation	60005440
47	RD	National Science Foundation	NA
47		University of Washington	696161
47		University of California Observatories	44K-1067934
47		Smith College	636481
66	439	Environmental Protection Agency	None
66	605	Environmental Protection Agency	C0700248
66	439	Environmental Protection Agency	46828
66	RD	Environmental Protection Agency	5835-21743
66		Eastern Research Group	0170.04.035/2
81	49	Department of Energy	LTI-FE68423
81		Drexel University	Project #210018
81	RD	Department of Energy	101-TSA-W000-0004
81		Washington State University	G000098
81		Commercial Vehicle Safety Alliance	DE-FC01-94RW00295 / 48108
81		Lower Columbia River Estuary Partnership	None
81		Iowa State University — Iowa Energy Center	I5 29892 00
81		University of Chicago, Division of the Biological Sciences	U135189
81		Montana State University	G141-06-W0831
81		Brown University	1544-21655/P986934
81		FutureGen Industrial Alliance, Inc.	50050
81		Research Triangle Institute	1-312-0210413
81		Midwest Research Institute	G47332901
81		DOE Lawrence Livermore National Lab LLC	EG005830H35

(Continued)

Agency Code	CFDA	Agency	Prime/Upper Tier Contractor or Contract Reference
93	279	Department of Health And Human Services	PO341348
93	389	Department of Health And Human Services	399778
93	399	Department of Health And Human Services	623783
93	839	Department of Health And Human Services	None
93	853	Department of Health And Human Services	1490 G GE528
93	113	Department of Health And Human Services	ABK147-04-B
93	847	Department of Health And Human Services	None
93	859	Department of Health And Human Services	S492970 / 1865 /4-21451
93		Massachusetts General Hospital	44301
93	866	Department of Health And Human Services	S/K# G001314
93	RD	Department of Health And Human Services	25XS118
93		The Molecular Sciences Institute	400-30-5
93		Fred Hutchinson Cancer Research Center	579841
93		University of Washington	565961/129928
93		University of Kansas Center for Research, Inc.	FY2002-089
93		University of Alabama at Birmingham	5 P01 ES011617-03
93		University of California, Los Angeles	1490 G GE528
93		University of Medicine & Dentistry of New Jersey	PO348897
97	RD	Department of Homeland Security	BATTELLE-003-002
97		Shoreline Police Department	2750
97		Battelle National Biodefense Institute, LLC.	G88260107

(Concluded)

Compliance Requirement — Allowable Costs/Cost Principles

Battelle Memorial Institute (“Battelle”) is exempt from OMB Circular A-122 but is required to follow the Federal Acquisition Regulation (FAR). According to the FAR 31.201-2 (48 CFR Part 31), Battelle is required to have an adequate labor charging system.

Condition Found — The Defense Contract Audit Agency (DCAA), Battelle’s cognizant agency, reported that Pacific Northwest National Laboratory’s (PNNL) labor accounting system was “inadequate in part” for the period of October 2005 through December 2006. The DCAA noted the following which they contend are significant deficiencies: 1) Battelle does not account for uncompensated overtime; 2) when uncompensated overtime hours are worked, employees may use discretion to determine the number of hours recorded in a day and the cost objectives to which they are charged; and 3) employees changed prior-period timesheets to reflect work performed in subsequent periods without maintaining documentation. DCAA contends the deficiencies noted could result in an overstatement or an understatement of overhead rates charged by PNNL and noncompliance with Cost Accounting Standard (CAS) 418-40(c)(1).

During 2007, PNNL requested and received approval from DCAA for their proposed changes to PNNL’s exempt time reporting policy. These changes were to be implemented by January 2008, and a materiality study will be initiated by the PNNL Internal Audit Director by June 2008.

Questioned Costs — None

Effect — The lack of an effective system of internal control could result in material noncompliance with the Allowable Costs/Cost Principles compliance requirement.

Recommendation — Battelle needs to ensure that the internal control procedures presented to DCAA are properly implemented.

View of Responsible Official — PNNL's Contracting Office provided notice to Battelle and DCAA regarding resolution of the CAS 418 noncompliance in the letter titled Contract No. DE-AC05-76RL01830 — *Report on Noncompliance with Cost Accounting Standard 418 Allocation of Direct and Indirect Cost* and FAR 31.201-4 *Determining Allocability* dated January 25, 2008. The resolution was based on implementation of PNNL's revised timekeeping policy and plans to perform a formal materiality study to determine if uncompensated overtime under the revised timekeeping system has a material impact on the allocation of cost to final cost objectives. PNNL is currently in process of performing the materiality study.

PART IV — SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
06-1	PNNL Time Reporting	Repeated as finding 07-01	Jim Cassens, Manager, Government Accounting and Risk Management

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