

Reference: Finding 11-01 – Reportable condition relating to Internal Controls Surrounding Revenue Recognition and Billing

Contact: Gwen Von Holten, Vice President, Deputy Chief Financial Officer and Corporate Controller, 614-424-4122

Views of Responsible Officials: Battelle understands it is responsible for ensuring billing is correct and revenue is properly recognized. With respect to these controls, Battelle Columbus Operations has initiated the actions below and continues to monitor billing and revenue reporting.

The following key actions have been taken.

- Monthly reviews of contract revenue continue during fiscal year 2012 per established scope.
- Monthly adjustments, as needed, maintained by Corporate Accounting as provided by the Financial Managers.
- Monthly reconciliation of project costing revenue to general ledger revenue to accrue material reconciling differences.
- Routine reviews between Corporate Accounting and Management Transaction Services (MTS) departments for resolution and recognition of reporting issues of billing and revenue.
- Routine billing reviews completed for accuracy and timeliness by assigned MTS Analyst with additional review by MTS Lead when assistance is needed.

A majority of contract type revenue and billing (cost type contracts) are being processed as expected by the system. The following actions remain to be completed by Corporate Accounting and MTS for improved reporting processes and controls.

The following key actions are in process and targeted for completion.

Revenue Recognition:

- Standardized Revenue Adjustment Summaries by the Financial Managers to be fully implemented during the 4th quarter fiscal year 2012.
- Time and Materials and Firm Fixed Price contract types that follow the prior revenue methodology to be converted to Catalyst revenue recognition method no later than end of fiscal year 2012.
- Continue to enhance revenue analysis tools to assist in monitoring monthly revenue for reporting and adjustments as needed.

Billing:

- Billing procedures enhanced to reflect additional manual reviews before submitting invoices

Battelle Memorial Institute
FY2011 A-133 Audit
Corrective Action Plans

- Monthly training sessions to review required contract/billing set up
- Additional Catalyst queries available to proactively detect system issues prior to invoicing
- Additional Catalyst queries available to more easily review transactions prior to submitting invoices

Overall Anticipated Implementation Date: December 31, 2012

Battelle Memorial Institute
FY2011 A-133 Audit
Corrective Action Plans

Reference: Finding 11-02 – Reportable condition relating to Equipment and Real Property Management

Contact: Byron Sohovich, Manager Government Accounting and Property, 614-424-4010

Views of Responsible Officials: Two pieces of government equipment were in Battelle's government property records as being in Battelle's possession when they had been shipped to a contractor in accordance with client instructions. The dates of transfer were not entered on the correct screen in Battelle's new enterprise resource planning (ERP) system. The information in the ERP system related to these two assets has been corrected.

Anticipated Implementation Date: Corrective action was taken in the first quarter of fiscal year 2012.

Battelle Memorial Institute
FY2011 A-133 Audit
Corrective Action Plans

Reference: Finding 11-03 – Reportable condition relating to Period of Availability

Contact: Jeff Cashell, Director Strategic Acquisition Services, 614-424-4835

Views of Responsible Officials:

Project ID TG898269 had 6-11-2010 as the start date in Battelle's enterprise resource planning (ERP) system; however the start date in the contract was 6-1-2010. The start date has been corrected in the system. While the start date in the system was not correct, it was after the start date specified in the contract and the government was not billed cost incurred outside the contract period of performance dates.

Project ID LG921113 had 12-31-2011 as the end date in the ERP system; however the delivery date in the contract was 12-25-2011. This contract is a completion type contract. As such, costs incurred after the contract end date may be allowable to complete the end product in accordance with FAR 16.306(d). The end date has been corrected in the system.

Project ID 100002782: Battelle received a "bridge" contract to continue work from one contract (G825049) until the new contract could be finalized. Costs were charged to the bridge contract before that contract began and should have been charged to the original contract (G825049). Costs charged outside the contract period of performance have been moved to the correct contract.

Anticipated Implementation Date: Corrective action was taken in the first quarter of fiscal year 2012.

Battelle Memorial Institute
FY2011 A-133 Audit
Corrective Action Plans

Reference: Finding 11-04 – Reportable condition relating to Allowable Costs

Contact: Nick Madias, Director Corporate Tax Accounting and Compliance, 614-424-4372

Views of Responsible Officials: A procurement card purchase (PCard) of postage stamps was incorrectly coded as general office supplies which caused a use tax accrual. The error was not caught by the Corporate Tax department in preparation of the August 2011 tax return and the tax was paid. A journal entry has been completed to remove the incorrect tax and adjust tax payment.

Corporate Tax will continue to review use tax accrual transactions for reasonableness and accuracy to identify use tax accruals errors. The PCard Program Office also randomly selects transactions each month to audit for source documentation and proper recording of sales tax. Errors are identified to the purchase card holder for training purposes. In addition, Corporate Tax will work with the PCard Program Office to develop training to be distributed via email to all PCard holders addressing the importance of recording sales tax separately for all transactions.

Anticipated Implementation Date: Corrective action was taken in the first quarter of fiscal year 2012. Corporate Tax will work with the PCard Program Office to develop the training email by July 1, 2012.

Battelle Memorial Institute
FY2011 A-133 Audit
Corrective Action Plans

Reference: Finding 11-05 – Reportable condition relating to Procurement

Contact: Jeff Cashell, Director Strategic Acquisition Services, 614-424-4835

Views of Responsible Officials: One master purchase order file could not be located after extensive searches. Depending on the circumstances, if the file cannot be found, the file is recreated based on information available in working files, existing task orders or delivery orders, or we may request a copy of the documents from the vendor. Strategic Acquisition Services is in the process of recreating the file.

Anticipated Implementation Date: September 30, 2012