

IANANO Response



International Association of Nanotechnology

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May 5, 2011

Mr. Mark L. Schwartz
Audit Director
US Department of Labor
Office of Inspector General
200 Constitution Avenue, N.W.
Washington, DC 20210

Dear Mr. Schwartz,

On behalf of the International Association of Nanotechnology I would like to thank you and to each of the OIG auditors who were involved in performing audit of IANANO.

After reviewing the draft report, I appreciate an opportunity to provide our responses to each of the findings with supporting documents in the attached exhibits.

I would like express our appreciation to the US DOL for the funding support that enabled us to develop and implement the extensive training programs in the emerging field of nanotechnology.

While we have completed the training by end of 2010, we are pleased to say that IANANO has continued working with our partners in providing the nanotechnology training programs to meet the needs of the industry.

Once again, thank you for the input and the advice in the audit project.

Sincerely,



Lloyd Tran
President

Enclosure: 13 page text document and 20 exhibits

Response from the International Association of Nanotechnology to Draft of Audit Findings

COMMENTS FROM IANANO TO DRAFT OF AUDIT FINDINGS

International Association of Nanotechnology ("IANANO") would like to take this opportunity to acknowledge the support of the grant in the amount of \$1.5 million over 3 years under the President High Growth Job Training Initiative (HG-15852-07-60-A-6).

A copy of the award letter from the DOL outlining the deliverables is given in the **Exhibit 1**.

Projected outcomes proposed in the grant application dated as of July 31, 2006 includes the following:

- Train 205 clients, including 70 managers
- 120 clients will receive the 13 week technical training
- 15 clients will enter the one-year nanotechnology technical pre-apprenticeship training program
- Establish a California Institute of Nanotechnology Training Center

Thanks to the support of the DOL grant, the California Institute of Nanotechnology Training Center has been established as collaboration between IANANO and California Institute of Nanotechnology. IANANO have successfully trained a total of 327 participants, including 193 managers, 120 graduated with the Certified Nanotech & Clean Tech Professional and 14 clients completed the apprenticeship program. This has exceeded the projected outcomes with an additional of 92 clients having completed the training. However due to severe recession in 2008 and 2009 the number of our graduates found jobs were less than what we anticipated.

The California Institute of Nanotechnology Training Center has been established and is co-located with the Clean Tech Institute located at 49000 Milmont Drive, Fremont, CA 94538. The facility consists of offices, classrooms, conference rooms, auditorium, computer laboratory, Scanning Electron Microscope Laboratory, Electronic Workshop, and Electric Vehicle Workshops.

The record has demonstrated that the financial transactions and program activities were in compliance with the grant agreement and Federal costs principles.

Objective 1 – Were financial transactions and program activities in compliance with the grant agreement and Federal costs principles?

FINDINGS 1: Unsupported Costs of \$896,066

IANANO disagrees with this finding.

The figure \$896,066 was a sum of personnel costs consisting of \$680,293 for salaries and wages, \$123,703 for fringe benefits and \$92,070 for salaries and wages that were charged as an indirect cost for the grant project from November 1, 2006 to October 31, 2009.

In fact, the costs of \$896,066 were allowed and approved in the budget modification by the Grant Officer, Donna Kelly, on August 14, 2009 (**Exhibit 2**).

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These personnel costs were for a period of 3 years for a small team of 7 full time employees, with an average salary of \$42,669 per person per year, which is in the low range of the market value for the same position in the industry.

Exhibit 3 summarizes the DOL Program Salary Budget and Actual Expenses over the three year period of the grant project. The actual salary expenses for the DOL Program salary were \$685,240.82 as compared with the budget amount of \$680,291.56. The total fringe benefits were \$113,951.96 as compared with the budget amount of \$123,701.47. The total personnel expenses were \$799,192.78 as compared with the total budget personnel expenses of \$803,993.03. The actual personnel expenses for the DOL Program activities were \$4,800.25 or 0.5% less than the budget.

The draft findings suggested that there were unsupported costs of \$896,066 based on the preliminary observation from the auditors that there were 33 errors on a sample of 220 inspected time sheets.

On April 20, 2011, the DOL auditor sent IANANO a list of summary of the time sheets which might contain errors. The following date, IANANO replied submitted the 11 missing time sheets and was able to refute the errors on 19 time sheets. There were only 3 time sheets amongst 220 time sheets having some technical and human errors. This represent only 1.3% of the errors could be found in the sample of 220 time sheets. This is less than a threshold of 10% of acceptable errors. The detailed explanation on these time sheets is given in the **Exhibit 4**.

The OIG suggested that there was a potential issue of conflict of interest, which IANANO would like to refute this perception by presenting the facts given below.

Exhibit 5 is a copy of the Independent Auditor's Report on Statement of revenues and expenditures of IANANO's contract with the US DOL grant for the year ending March 31, 2008 was audited by Vargas & Company. The Report confirmed that in all material respects, the revenues and expenditures of IANANO's contract with the US DOL in conformity with accounting principles generally accepted in the USA.

During the grant activities, IANANO has submitted a budget modification to reflect the state of the business in a changing economy. The first budget modification was approved by the Grant Officer on January 09, 2009 and the second budget modification was approved the Grant Officer on August 14, 2009.

In addition, from the period of February 2009 to October 2009, IANANO was required to submit all the grant expenses to be reviewed and reimbursed on a monthly basis. The reimbursement procedure was in fact, a monthly audit by itself.

As a result of the monthly audit process, all the financial transactions and program activities were undergoing vigorous reviewing and approved by DOL ETA.

As soon as IANANO received a draft of audit report from WithumSmith+Brown PC on February 25, 2011 and a draft of finding from the OIG DOL on March 25, 2011, IANANO requested Ms. Nancy Davis, a partner at WSB and Mr. Mark L. Schwartz, the audit director of the OIG to provide IANANO with detailed information and to substantiate the evidence of conflict of interests. As of May 4, 2011, IANANO has not received any reply with any proof to substantiate the claims, or detailed description of any inconsistencies.

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IANANO respectfully disagree with the OIG allegation using the perception of conflict of interest to challenge the costs of \$896,066.

Conflict of interest implies a conflict between of the interest of the organization and the people involved in organization. There was no evidence that such conflict existed within the International Association of Nanotechnology. As a small organization of 7 full time employees (at any given time during the grant project), the IANANO team worked very hard to accomplish the DOL grant objectives in a very tough economic environment on the years 2007 to 2009. We would like to take this opportunity to explain and prove that there was no conflict of interest within IANANO.

A). Fern Vu and Brian Tran were qualified and experience with proven track record working for the Association since 2003.

In the draft findings Mr. Schwartz wrote that because the personnel files does not contain a resume of the Fern Vu or Brian Tran. That was the reason why the auditors might have raised an issue about potential conflict of interest.

Fern Vu and Brian worked for IANANO dated back in 2003. Their personnel files of the early IANANO employees and old record keeping were archived within 7 years in 2010. Their resumes were not in the DOL project files which started in 2007-2009. That was the reason the auditor did not find their resume files in 2011. The fact that the resumes of Fern Vu and Brian Tran and other former employees and consultants in 2003 were not in the new files of 2011 should not imply any conflict of interest.

B). The salaries compensation of each of IANANO full time employees were within approved budget.

As given in the Exhibit 3, the approved budget specifically allowed the salaries compensation for the Executive Director (Lloyd Tran, Operations Director (Fern Vu), Outreach Director (Ken Heiman), Case Manager/Job Developer (Kim Le), Program Assistant/IT Specialist (Brian Tran), Training Assistant (Alisha White) and a part-time book-keeper and a part-time office assistant.

Within IANANO, as a small group of team members, there was no conflict of interest because everyone has an approved salary, a job description and a drive to work hard to achieve the goals of the organization.

The perception that there was a conflict of interest involved with Lloyd Tran, Fern Vu and Brian Tran were false and unfounded. In fact, this was the prejudice and racial discrimination that Mr. Lloyd Tran and Ms.Fern Vu have been treated during the grant period from 2007- 2009.

Exhibit 6 is the letter from IANANO attorney to Mr. Richard C. Trigg, Regional Director of the US DOL ETA in San Francisco, concerning possible racially discriminatory and retaliatory behavior of two DOL ETA program managers towards IANANO staff and especially Fern Vu.

Exhibit 7 is the reply letter from Mr. Trigg acknowledging the issues and the corrective actions taken toward the two DOL ETA program representatives.

Response from the International Association of Nanotechnology to Draft of Audit Findings

Ms. Fern Vu is more than qualified to do the job as the Operations Director since 2004, well before the grant was awarded to the IANANO in November 2006. Fern graduated with a BA in Mathematics from North Central College in Naperville, Illinois in 1980. She worked for Bell Labs, AT&T for several years as Technical Associate and worked in various technical and operational management capacities a number of high tech start-up companies over the past 25 years.

Mr. Brian Tran graduated with BS from Sacramento State University with Honors in June 2006. He has 5 years of experience in computer technology and network administrative systems. Brian worked for IANANO from January 2004 December 2008 as an IT specialist and a program assistant. He was the instrument to set up the entire computer lab and networking system and to develop an online learning system for IANANO. Brian assisted the Program Director in putting together abstracts and proceedings for more than 1,000 research papers submitted to the conferences organized by IANANO since 2004.

His work at the International Congress of Nanobiotechnology and Nanomedicine 2006 and in 2007 has inspired him to pursue his career in medicine. He is now a 3rd year medical student at a New York University.

Even though they have family related, Fern Vu and Brian Tran were involved and helped the non-profit organization since its inception in 2003, well before IANANO was awarded the DOL grant in November 2006.

The fact that IANANO has successfully organized the International Congress of Nanotechnology, 2004, 2005, 2006 and International Congress of Nanobio and Nanomedicine in 2006, before we got the DOL, are proof that Fern and Brian were capable to manage the operations of the Association, such that they continue their working for the Association under the grant funding.

Exhibits 8, 9, 10,11, are copy of the program agenda of the International Congress of Nanotechnology, 2004, 2005, International Congress of Nanobio and Nanomedicine and International Congress of Nanotechnology in 2006, respectively.

Fern and Brian were the key employees to organize the International Congress of Nanotechnology 2007, NanoBio 2007, International Congress of Nano Bio Clean Tech 2008 and NanoBio 2009 and numerous monthly outreach seminars and workshops and many training programs over the 3-year period of the DOL grant from 11/2006 to 10/2009.

Exhibit 12, 13, 14, 15 and 16 are copy of the program agenda of the International Congress of Nanotechnology 2007, NanoBio 2007, Nanoscale Materials Stewardship Seminar 2008, International Congress of Nano Bio Clean Tech 2008 and NanoBio 2009, respectively.

Thanks to the Operations Director and the Program Assistant, IANANO successfully organized numerous outreach events and have trained 327 participants, exceeding the quota of the DOL, considering we were a small non-profit organization with only 6 employees and with an annual budget of less than \$500,000.

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C). Their salary compensation was modest and approved by the Grant Officer.

Fern and Brian played an essential role to manage the business affairs and IT components of the business. If they had not been employed at the Association, the Association would have had to employ someone else at higher costs. Fern's salary was an average of \$57,547 a year, which was in a lower range of comparable salary range in Silicon Valley, where an operations manager earns \$75,000 to \$120,000 a year. Brian's salary was an average of \$42,346 a year, which was low as compared to a comparable IT specialist (\$60,000 to \$95,000) with a BS degree and 7 years of IT experience.

Furthermore, the salaries of Fern Vu and Brian Tran were described by the Modified Budget and approved by the Grant Officer.

D). The DOL is not needed to get involved with the internal management and human resources of the grantee.

In the grant agreements with IANANO, the US DOL is not required to get involved in the day to day operational level of business in terms of hiring or firing an employee. This decision is for the management team and the Board of Director to decide.

IANANO would like to refute the finding that the Executive Director of IANANO operates other 6 companies. During the grant project from November 1, 2006 to October 31, 2009, As an incubator and a hub of nanotech and clean tech outreach network, IANANO help other entrepreneurs to start their own companies that apply what they learned in the Business Re-engineering and CNCP training programs. Mr. Tran was asked to serve as a board member of these newly start-up companies which are still under development.

E). The Board of Directors approved the employment of Ms. Fern Vu and Mr. Brian Tran

The Board of Directors of the Association was fully aware of the fact that Ms. Fern Vu and Mr. Brian Tran are related to Mr. Lloyd Tran. The Board approved their employment in 2003 and the recognized that Fern and Brian were excellent and indispensable employees since the conception of the Association. The Board appreciated that they worked hard and devoted our time more than a typical employee, who normally is hired to do the work but rarely devoted his or her time for the best interest of the Association. During many events, Fern and Brian worked extremely hard, putting at least 10-12 hours a day to make sure the events were successful. They normally stayed late to finish the job, while typical employees left the office at 5:30 PM.

In addition, Fern Vu and Brian Tran were employed in accord to an approved budget, signed by the Grant Officer.

F). As a disabled person, Mr. Lloyd Tran needs physical help from a trusted employee to function in a workplace

Not only Ms. Vu was a highly qualified employee with more than 7 years of successful track record with the Association, she was needed to help Mr. Tran with transportation and administering medical treatment to him at the office on a regular basis. Without her

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help, Mr. Tran was not able to come to work and IANANO was not able to achieve the training performance under the DOL grant. The outcome was that IANANO has trained 327 people, exceeding the number of 235 as required in the grant application.

Under the ADA regulations, the Association have been mandated to provide all disabled workers all needed resources and assistance to function in the workplace.

During three year grant activities, the DOL ETA staff had several opportunity to come and visited IANANO and they were fully aware of the physical disability of IANANO's Executive Director.

For the US DOL OIG to questions the IANANO's accommodation for the physical disabled in the workplace would be in violation of the Federal ADA and constitutional and civil right of the disabled employee in the United States.

G). There is no conflict of interest between the California Institute of Nanotechnology and International Association of Nanotechnology

California Institute of Nanotechnology, Inc. (CINT) is a separate entity from the International Association of Nanotechnology (IANANO). CINT has it own set of Board of Directors and it was founded on April 2006, well before IANANO was awarded a DOL grant.

CINT has generated its own revenue and it did not receive any funding from IANANO. In fact, CINT provided an important leverage resources by paying cash for training materials, and instructors and all travel expenses and other expenses in a total of more that \$445,000 to help IANANO to exceed the training goal.

Finding 2: Reported results and outcome measures were misleading, and required grant deliverables were not produced

IANANO does not agree with this finding.

We have provided accurate results and outcome performance, which well exceed the projected outcome. The auditor was in agreement with us that we have trained a total of 327 participants, which is well above the projected outcome of 235 participants. This level of performance is rather exceptional considering the state of the economy in the middle of the Great Recession of 2007-2009.

The outcome performance measures of IANANO can be summarized as follows:

Training Programs	Projected Outcome	Actual Performance
Nanotechnology Business Re-engineering	70	111
Nanotechnology Train the Trainer	30	80
Certified Nanotech & Clean Tech (CNCP)	120	122
Pre-Apprentice	15	14

It was a prerequisite that the pre-apprentice participants had to complete the CNCP training program, which provided a strong foundation for pre-apprentice to get on the job training.

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The employment rates for the Business Re-engineering participants exceeded 80% and more than 85% of Train-the-Trainer participants retained or found new employment within training program. In the middle of the Great Recession that hit California economy with unemployment rates changed from 5% in 2007 to 12% in 2009 where many high tech companies in California were laying off their workers in 2009, most of the participants in these IANANO training programs could retain or found new employment within the scope of the training.

The employment rates for CNCP graduates were lower than what we hoped for in the grant application dated back in 2006. Like any other training organizations, our CNCP graduates face challenges in seeking jobs during the recession when more than 100,000 professional managers and engineers lost their jobs in the Bay Area. However, the prospect is brighter in 2011, when many of CNCP graduates have indicated to us that they have now got more interview interest from employers starting early in 2011.

Online Distance Learning Program

IANANO has developed and implemented an online distance-learning program in addition to the classroom method for the CNCP. IANANO invested more than \$9,000 in October 2008 in purchasing a professional quality video camera, software and computer system, which enabled us to video and broadcasting the streaming video live in real time. The system was used to broadcast the nanotechnology training programs and the general sessions of the International Congress of Nano Bio Clean Tech on October 27-30, 2008 at the San Francisco Airport Marriott Hotel.

The online distance learning was a success and well accepted by audience around in the USA and around the world. However, one major challenge facing with the online broadcasting system is that it would require a very large bandwidth to support a large number of viewers at the same time.

In practice, online participants from many states with the US and overseas were not allowed to participants as recipients of the IANANO DOL grant as they were outside the Scope of Works under the requirements of DOL. Participants are required to undergoing through an authentication process by providing a proof of identification (Driver's License and Social Security Card) and permanent residence/ citizenship status before being admitted into the program.

IANANO submitted the costs of the online distance learning for reimbursement on September 2009, but it was declined by the grant officer, Mr. John Humphrey citing the reason that the on-line training program is not a deliverables expected in the Grant funding.

IANANO showcase our online distance learning live in real time at the meeting on October 13, 2009 at IANANO office with DOL ETA representative including Mr. Todd Yamamoto, Regional Director, Office of Special Initiatives & Demonstration, Mr. Steve Malliaras and Elina Mnatsakanova, the Federal Project Officer. Mr. Yamamoto acknowledged the success of IANANO online training, but he confirmed that DOL did not expect to pay for the high costs of implementing the online program, which was beyond the scope of the program deliverables.

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Recognition of the IANANO Nanotechnology Training Programs

If one wish to develop a certificate program in nanotechnology, one would come to a non-profit organization in the nanotechnology (so that it is independently managed for public benefits), that have experience in bring together experts around the US and around the world to develop the curriculum.

International Association of Nanotechnology, a 501(3) non-profit organization founded in 2003 has been selected and was awarded by the DOL to develop and implement the nanotechnology training programs. As the leading industry association in the emerging nanotechnology field, International Association of Nanotechnology has been organizing numerous international conferences and provided advanced nanotech training workshops in nanotech and clean energy over the past 7 years. Every year over the past 7 years, IANANO organize international conferences, bringing experts around the world to discuss and exchange the latest development in nano-electronics, nanomaterials, nanomedicine and nano-energy products. In addition, IANANO asked more than 300 experts around the world to review and provide input to improve the curriculum, which serve as the first of its kind ever developed, thanks to the support of the DOL. The IANANO training programs have been developed and tested over the past 4 years and been used to train a total of 327 participants in the industry over the period of three years from 2007- 2009.

IANANO and its partners, California Institute of Nanotechnology and the Clean Tech Institute, are the leading organizations and the pioneers in workforce training in this emerging industry. There are no other organizations with the skills and the track records that are capable of integrating the knowledge with practical applications in nanotech and clean tech to bring forth an enriched certificate-training program like what we offer in the CNCP program.

The Certified Nanotech and Clean Tech Professional was the first of its kind in the US. The curriculum was developed with the consultation with industry experts in nanotechnology and clean tech industry.

The curricula have been developed and reviewed by members of Advisory Board that consists of leading experts in nanotechnology.

Exhibit 17 is a list of Advisory Board of International Association of Nanotechnology.

In addition, the curricula were presented to a larger audience for their review and input, consisting of more than three hundred of nanotechnologists around the world, who participated as speakers and presenters during the International Congress of Nanotechnology in 2006, 2007, 2008 and 2009.

There is no other similar certificate in nanotech and clean tech in the market place. As the US economy begins to recover from a severe recessions, more and more nanotechnology companies will begin to hire new employees. No one has provided workforces training like IANANO and our certificate programs have equipped our graduates for job opportunities in the nanotech and clean tech industry.

The CNCP Training Programs were approved by the California Community Colleges Chancellor's Office

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The Office of the Chancellor of 109 California Community Colleges in the State of California recognized the IANANO curricula in June 2007. The Chancellor's Office reviewed and approved the curricula and provided funding for San Jose City College and San Bernardino Community Colleges District to use the nanotechnology training developed by IANANO and CINANO in 2007 and 2008.

The IANANO Nanosafety Training Programs have been approved and California Department of Toxic Substance Control, the California EPA

Unlike other nanotech organizations that are mainly marketing promoter, International Association of Nanotechnology has been actively involved in the development of international standards and framework of safety for the workforce in nanotechnology. IANANO has been a partner with the Department of Toxic Substance Control, the CA EPA and has sponsored a number of seminars and conferences to highlight the importance of NanoSafety. The Chief Scientist of CA-EPA, Dr. Jeff Wong has been an instructor of NanoSafety course for IANANO since 2005 to 2009.

Advanced Nanotechnology Curricula

IANANO submitted a collection of its grant products consisting of more than 80 complete PowerPoint Presentations from its faculty members from leading universities and major companies in nanotechnology: University of California, Berkeley, UC Davis, UCLA, UC Riverside, UC Irvine, Stanford University, Lawrence Berkeley National Laboratory, and major companies in nanotechnology such as Nanomix, Nanogram, NanoMEMS Research, Bright Sources, Department of Toxic Substances Control, US Environmental Protection Agency and the California Environmental Protection Agency and others.

Exhibit 18 provides the list of 37 IANANO's faculty members and instructors and guest lectures for all of our nanotechnology training program under the DOL grant project.

The DOL recognized that it was difficult to replicate such a comprehensive and advanced training programs, which require the support of local universities and industries in nanotechnology.

It was noted that San Bernardino Community College District, located in an underserved community, was able to follow and replicate the training programs conducted by California Institute of Nanotechnology and International Association of Nanotechnology. Thanks to the IANANO Train the Trainer program, more than 20 professors and instructors of San Bernardino Community Colleges District have obtained a \$2 million grant from the US DOL in early 2009 to develop and implement the nanotechnology program originated from the IANANO grant project.

Objective 2: Were information reported to ETA by the grantee accurate?

Finding 3: Report Information to the ETA was not accurate

IANANO disagrees with this finding. We believed that we have provided to the DOL ETA on our monthly, quarterly and annual report accurately to the best of our understanding and ability.

Response from the International Association of Nanotechnology to Draft of Audit Findings

The draft finding suggested that there was a program income of \$938,685. IANANO wishes to refute this amount because it was not an income, but it was in deed, the revenue, which must subtract the costs involved to calculate the program income. IANANO requested that the auditors on April 2, 2011 to explain how they could take this figure as a program income without deducting the costs involved generating the revenue. As of May 4, 2011, IANANO has not received any explanations from the auditors about the program income.

By basic accounting principle, income is NOT a revenue, but it is equal revenue minus operating expenses. The section 29 CFR 95.24 states clearly that "*Costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.*"

Our record showed that the total costs to generate the above "program revenue" were \$954,158. This would bring the *program income* to a negative number (-\$15,473). That is the reason why program income was reported as zero.

We have consulted with our FPO and she agreed that we should report zero program income.

In addition, we have used the extra revenue to train 92 more participants than a total of 235 participants required in the DOL grant.

IANANO has used a leverage resources of \$445,883 in cash contribution from California Institute of Nanotechnology to expand the training programs, bringing the total number of training participants to 327, which is 39% more than the number required in the Scope of Works.

Based on the Accounting Principles and the lack of support information from the draft of audit findings, IANANO requests to correct the program income to zero in your final report.

Apprenticeship Program

IANANO was working with Patricia Garcia of the DOL Office of Apprenticeship Program over the grant period to develop, testing and fine tune the apprenticeship training program. IANANO organized several outreach meeting where the representatives of the DOL Office of Apprenticeship were invited to present the proposed Nanotech Apprentice program to the nanotech companies. It was found out that the 1,000 to 2,000 hours of apprenticeship work at the employer was too long and not necessary from the point of view of employers and prospective apprentice. It was later reduced to 480 hours, which would of mutual benefits for both employers and apprentice.

During several outreach meetings, many prospective employers indicated to IANANO and Ms. Garcia that the apprentice program would require employers to do extra work i.e. administrative support and to supervise apprentice in accordance to the DOL Apprentice program. As a result employers requested that DOL must provide funding to employers so that to help employers to hire and train apprentice. Without any source of funding, it was difficult to recruit employers to participate in the apprenticeship-training program.

Response from the International Association of Nanotechnology to Draft of Audit Findings

While we were actively promoting the apprenticeship program we did not receive many interest from the industry, because of lack of financial support from the DOL to subsidize wages to apprentice.

During that time, two of our CNCP former graduate, Michael Takamoto and his colleagues have started a consulting firm, known as 10-9 Nanosafety Consulting (<http://www.10-9consulting.com>) and Mr. Julian Nguyen and his colleagues have started and managed the American Energy Choice. (<http://americanenergychoice.net/>)

These companies agreed to accept our apprentice as a trial to test the concept of having a start-up company to use the service of apprentice while apprentice would have an opportunity to learn real life industry experience. There is nothing in the grant SOW that discourage apprentice to work for start-up companies. In fact, working in start-up companies, apprentice would learn to do many aspects of the business from technology development to marketing and sales support.

While the IANANO's Executive Director does not own these companies, he provided his guidance and support the apprenticeship programs at these two companies.

IANANO has submitted a copy of the "Standards Of Apprenticeship Developed By The International Association Of Nanotechnology In Partnership With The California Institute Of Nanotechnology For The Occupation Of Nanotechnology Technician" to the Office of the Apprentice, US DOL on October 16, 2009. The O*NET CODE: 1-4021.00 and RAIS CODE: 1103CB have been proposed to the new Nanotechnology Technician. (Exhibit 19)

Unfortunately, the apprenticeship program was not continued after the DOL grant ended on October 31, 2009.

LEVERAGE RESOURCES

It is noted that while the grant project anticipated a total of \$2.4 million in leverage resources, no matching grant were required.

IANANO believed that we have an adequate system to keep track with leverage resources. IANANO has asked the ETA staff to provide specific guidance about how to calculate leverage resources, it was advised that there was no specific standard to calculate leverage resources and it was up to each grantee to develop its own set of method. There is no set rule to measure the value of in-kind contribution because each grantee might value its in-kind contribution differently within the framework of market value.

IANANO has developed its own method and policy, which is based on fair market value and of mutual agreement and acceptance by the contributors and IANANO as the beneficiary of the in-kind donation.

We have taken the recommendation of the ETA representatives in developing our own system of keeping track of leverage resources and to estimate the value of the contribution based on market value.

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On January 19, 2011, IANANO has provided the auditors a binder containing more than 100 pages describing each of the leverage resource, nature of the contribution and how we calculated each of the contribution.

Exhibit 20 is a summary of the leverage resources of which the total exceeds the initial estimate of \$2.4 million contribution from all of our partners and contributors to the grant training and outreach programs. This also includes more than \$445,000 in cash contribution from California Institute of Nanotechnology and in-kind services rendered by a large number of organizations and individuals who have donated their time and resources to help IANANO to accomplish our grant objectives.

Example 1: IANANO recognized the leverage resources we received from our partner, Work2Future, where we rented only 3,000 sf, but we were provided an additional 5,000 sf of shared meeting space free of charge. Since we paid rent a \$2.25 psf, a 5,000 sf of space would cost us \$11,250/month or \$135,000/year or \$405,000 over a period of 3 years.

Example 2: IANANO also recognized the contribution of our employees who were willing to take less than the market value in compensation to be a part of the team. An Outreach Director normally earns \$68,000 a year, would provide us an leverage resource contribution of \$20,000 if he agrees to work for a salary of \$48,000 a year.

Example 3: In the emerging nanotechnology industry, IANANO appreciated the in-kind contribution of many speakers who travel from out of town to our meeting to give a lecture or a talk that would be a great value to us and also to our students.

IANANO would estimate the in-kind contribution to be equivalent to the cost of hiring this individual on speaking engagement including all travel expenses and hour rates that are of market value.

The market value for consulting and speaking engagement fees are \$250/hour for a nanotechnologist or \$400/hour for an attorney in California. Each speaker of the following conferences and meetings provided a value of at least \$2,500 in-kind contribution which is based on a 8 hour consulting services plus travel expenses.

Details of the major scientific conferences were given in the Exhibits 8- 15.

- a) 40 Speakers participated at the International Congress of Nanotechnology- October 30-November 2, 2006 at the San Francisco Airport Marriott Hotel
- b) 44 speakers participated at the International Congress of NanoBio and Nanomedicine, June 18-21,2007 at the in San Francisco Airport Crowne Plaza Hotel
- c) 45 speakers participated at the International Congress of Nanotechnology, November 5-8, 2007 at the San Francisco Airport Hyatt Regency Hotel
- d) 11 speakers participated in the Emerging Tech Forum, January 23-25, 2008 at IANANO Headquarters in San Jose
- d) 38 speakers participated in the Clean Tech Innovation & Growth, March 3-4, 2009 at IANANO Headquarters in San Jose

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- e) 45 speakers participated in the International Congress of Nano Bio Clean Tech ,
October 27-30, 2008 at the San Francisco Airport Marriott Hotel
- f) 24 speakers participated in a number of NanoLunch meetings in 2008-2009 at IANANO
Headquarters in San Jose
- g) 36 speakers participated in Nano Bio Cleantech (NBC) Forum organized monthly in
2008-2009 at IANANO Headquarters in San Jose
- h) 20 speakers participated in Clean Tech Innovation & Growth, March 3-4, 2009 at
IANANO Headquarters in San Jose
- i) 39 speakers participated in the International Congress of NanoBio & Nanomedicine,
June 22-24, 2009 at the San Francisco Airport Crowne Plaza

There were a total of 342 speakers who have provided in-kind services to IANANO training and outreach program to the scientific community in California. These speakers including distinguished scientists, researchers and industry leaders who had an opportunity to review the training programs of the IANANO and had agreed to participate as speakers in our events.

ETA Response

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



MAR 29 2011

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: JANE OATES *me only*
Assistant Secretary

SUBJECT: Response to Draft Audit Report No. 02-11-203-03-390
"Audit of High Growth Job Training Initiative Grant
Awarded to the International Association of
Nanotechnology."

Thank you for the opportunity to respond to the draft report cited above. Our oversight of this grant entailed the provision of extensive technical assistance over the life of the grant which was designed to assist the grantee in complying with Federal grant requirements and achieving the agreed upon performance goals. ETA requested the subject audit based on our concerns with the performance of the grantee and as a result of our on-site monitoring of the grantee which revealed multiple problems with the financial management of the grant. I also want to thank you for responding to our request and to tell you we appreciate the time and effort your staff spent in meeting with my staff during this project. Per your memo, we offer the following response to the cited recommendations.

Recommendation 1: Recover Costs of \$1.5 million

ETA Response: ETA appreciates the work done by the auditors to clearly identify the questioned costs and unreported program income related to this grant. We will follow our standard audit resolution procedures, including the issuances of an Initial and Final Determination to disallow and recover the costs.

Recommendation 2: Ensure first time grantees have systems in place to provide services and grant products.

ETA Response: ETA seeks to continually improve the management of the grant award and performance processes. We will review our initial technical assistance and training efforts with new grantees and adjust them as appropriate to provide guidance on both Federal grant requirements and ETA performance expectations. Given that Solicitations for Grant Applications (SGA) are the standard mechanisms that are used to award competitive grants and applicants have a limited amount of pages in which to provide information on proposed projects and ETA receives many applications for each SGA, it is not feasible for ETA to determine that all grants have all the systems they need prior

to grant award. In addition, timing and limited travel dollars do not allow for a pre-award site visit to take place prior to award. However, ETA does provide assistance to grantees once grants are awarded. We also wish to observe that this grantee was provided with extensive technical assistance throughout the life of the grant and did not choose to implement recommendations made by ETA both through technical assistance and in a formal monitoring report during the three year life of the grant.

Recommendation 3: Ensure grants are clear in regards to entities providing services and cost categories association to deliverables.

ETA Response: As stated above, ETA will review the current grant award and performance processes, including the need for clear budget justification documents. As appropriate, we will look to enhance our current guidance and provide additional training and technical assistance. We wish to note that grants are awarded based on their application in response to the Solicitation for Grant Applications. As such, ETA may not request substantial changes to the proposed Statement(s) of Work after this competitive process. Again, we provide extensive technical assistance to all grantees once the grants are awarded, including technical assistance related to any needed budget adjustments that do not conflict with the basis for award.

We also have two technical edits:

- page 2, first paragraph, please change Region 10 to Region 6, and
- page 11, it should be noted that in addition to the fact that IANANO “believed grant deliverables were satisfactory”, the facts are that IANANO did not provide all the deliverables in its grant agreement, which it had initially agreed to produce.

If you have any questions, please contact the ETA Audit Liaison, John Dutton.