



SEP 29 2005

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Boston, MA 02203  
(617) 565-2684

Report Number: A-01-04-01506

Mr. Adam M. Keller  
Executive Vice President of Finance  
Dartmouth College  
Hinman Box 6008  
Hanover, New Hampshire 03755

Dear Mr. Keller:

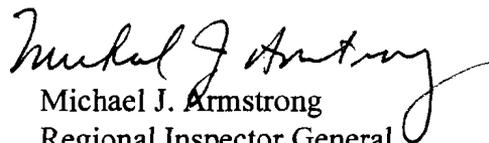
Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of Costs Claimed by Dartmouth College for NIH Grant No. 5 P01 GM51630-06, May 1, 1998–December 31, 2002." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters in the report. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG reports are made available to members of the press and general public to the extent that information contained therein is not subject to exemptions in the Act that the department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-01-04-01506 in all correspondence related to this report.

Sincerely yours,

  
Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosures - as stated

Page 2 – Mr. Adam M. Keller

**Direct Reply to HHS Action Official:**

Ms. Elizabeth Dabler  
Special Review Branch  
Division of Financial Advisory Services  
Office of Acquisition Management and Policy  
National Institutes of Health  
6100 Executive Blvd. Room 6B05  
Mail Stop – MSC 7530  
Bethesda, Maryland 02892

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF COSTS CLAIMED BY  
DARTMOUTH COLLEGE FOR NIH  
GRANT No. 5 P01 GM51630-06,  
MAY 1, 1998–DECEMBER 31, 2002**



**DANIEL R. LEVINSON**  
Inspector General

September 2005  
A-01-04-01506

# *Notices*

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The National Institute of Health (NIH), National Institute of General Medical Sciences awarded grant number 5 P01 GM51630, entitled “Measurement of PO2 in Tissues in Vivo and in Vitro,” to Dartmouth College (the College). This grant provided funding for research on the development and characterization of oxygen-sensitive paramagnetic materials for treating conditions such as cancer, ischemia, and sepsis. The grant segment totaled \$2.73 million over a 3.67-year project period from May 1998 through December 2002. Salaries, wages, fringe benefits, and related indirect costs accounted for 66 percent of the total grant award, and subcontract costs accounted for 26 percent.

### **OBJECTIVE**

Our objective was to determine whether the College claimed allowable costs under the terms and conditions of the grant and applicable Federal regulations.

### **SUMMARY OF FINDINGS**

The College overcharged the NIH grant by \$37,780 for the principal investigator’s (PI’s) salary (\$18,209 in salary and \$19,571 in related fringe benefits and indirect costs) for effort not related to the NIH grant. The College did not have adequate procedures for identifying actual activities, adjusting for changes to planned activities, and accurately computing labor distribution percentages.

In addition, the College has internal control weaknesses related to:

- inadequate procedures to properly account for grant application activity;
- noncompliance with HHS conditions for approval of proposed changes to its payroll distribution system; and
- inadequate procedures for monitoring \$716,522 in subrecipient costs.

Without stronger internal controls, the College cannot adequately ensure that Federal grant funds are properly accounted for.

### **RECOMMENDATIONS**

We recommend that the College:

- make a financial adjustment to NIH for \$37,780 (consisting of \$18,209 in overstated salaries and \$19,571 in related fringe benefits and indirect costs);

- improve payroll labor distribution procedures to ensure that (i) changes to planned activities are identified and adjusted and (ii) labor distribution percentages are accurately computed;
- establish written operating procedures available to researchers that specify what constitutes grant application activity and how related salaries, fringe benefits, and other costs are to be accounted for;
- work with NIH to provide a reasonable adjustment for grant application activity improperly charged to NIH grants;
- comply with all HHS conditions for implementing proposed changes to the payroll distribution system; and
- establish detailed subrecipient monitoring procedures to comply with A-133 requirements and subgrant terms and conditions.

## **DARTMOUTH COLLEGE'S COMMENTS AND OFFICE OF INSPECTOR GENERAL'S RESPONSE**

In its August 1, 2005, response to our draft report, which is included as Appendix B of this report, the College agreed with our proposed adjustment of \$1,512 related to miscalculation of the PI's salary in excess of the NIH ceiling for a 2-month period. However, the College did not concur with the other recommendations in the report. The College did not agree that the NIH grant was overcharged for PI efforts not related to the grant during an 18-month period because it maintains that the PI was relieved of non-grant-related activity during this period. The College also disagreed that it has internal control weaknesses in accounting for grant application activity, implementing changes in the payroll distribution system, and monitoring recipients of subgrants.

We believe that the disallowances that we recommended and the internal control weaknesses that we identified accurately reflect the extent of the University's failure to comply with Federal regulations. We continue to believe that the financial adjustments are warranted.

## TABLE OF CONTENTS

	Page
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	1
Objective .....	1
Scope .....	1
Methodology .....	1
<b>FINDINGS AND RECOMMENDATIONS</b> .....	2
<b>OVERSTATED SALARIES</b> .....	3
Federal Regulations .....	3
Overstated Actual PI Activity and Labor Distribution Percentages .....	3
<b>INTERNAL CONTROL WEAKNESSES</b> .....	4
Grant Application Activity .....	4
Payroll Distribution System .....	6
Subrecipient Monitoring .....	7
<b>RECOMMENDATIONS</b> .....	8
<b>OTHER MATTERS</b> .....	9
<b>DARTMOUTH COLLEGE’S COMMENTS</b> .....	9
Overstated Salaries .....	9
Internal Control Weaknesses .....	10
<b>OFFICE OF INSPECTOR GENERAL’S RESPONSE</b> .....	13
Overstated Salaries .....	13
Internal Control Weaknesses .....	14
<b>APPENDIXES</b>	
A – Summary of Results By Cost Category	
B – Dartmouth College’s Comments	

## **INTRODUCTION**

### **BACKGROUND**

The National Institutes of Health (NIH), National Institute of General Medical Sciences awarded grant number 5 P01 GM51630, entitled “Measurement of PO2 in Tissues in Vivo and in Vitro,” to Dartmouth College (the College). This grant provided funding for research on the development and characterization of oxygen-sensitive paramagnetic materials for treating diseases such as cancer, ischemia, and sepsis. The grant segment totaled \$2.73 million over a 3.67-year project period from May 1998 through December 2002. Salaries, wages, fringe benefits, and related indirect costs accounted for 66 percent of the total grant award, and subcontract costs accounted for about 26 percent.

The College uses the plan confirmation method of payroll distribution. This system establishes salary and planned activities through a payroll authorization (PA) document. During the grant period, the PA was used to certify actual activity as well as to change distribution between accounts, increase or decrease salary levels, and initiate retroactive payroll adjustments. In August 2002, the College eliminated the actual activity reporting section in the PA and began requiring the employee or principal investigator (PI) to verify the actual salary distribution at least annually.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether the College claimed allowable costs under the terms and conditions of the grant and applicable Federal regulations.

#### **Scope**

Our review covered the period from May 1, 1998, through December 31, 2002. We limited our review of internal controls to the processes used by the College to claim related costs for reimbursement. Our review focused on salaries, wages, and subrecipient costs claimed under the grant.

We performed our fieldwork between October 2004 and March 2005 at Dartmouth College in Hanover, NH.

#### **Methodology**

We used applicable Federal regulations and College policies and procedures to determine if amounts claimed met reimbursement requirements. In addition, we obtained supporting ledger records, labor distribution reports, personnel records, and subrecipient billings. During our review, we:

- reviewed grant, subgrant, and related budget award documents for pertinent terms and conditions;
- reconciled costs claimed by the College to supporting accounting records;
- determined whether the payroll distribution system provided for equitable distribution of charges for employee activities and traced direct labor to source documents;
- reviewed proposed and actual levels of effort by the PI for significant differences;
- interviewed selected individuals;
- reviewed the College's subrecipient monitoring procedures; and
- verified that the College applied overhead and fringe benefit rates approved by the Department of Health and Human Services (HHS), Division of Cost Allocation (DCA).

We conducted our audit in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

The College overcharged the NIH grant by \$37,780 for the PI's salary (\$18,209 in salary and \$19,571 in related fringe and indirect costs) for effort not related to this grant. This overcharge occurred because the College did not have adequate procedures for identifying actual activities, adjusting for changes to planned activities, and accurately computing labor distribution percentages.

In addition, the College has internal control weaknesses related to:

- inadequate procedures to properly account for grant application activity;
- noncompliance with HHS conditions for approval of proposed changes to its payroll distribution system; and
- inadequate procedures for monitoring \$716,522 in subrecipient costs.

Without stronger internal controls, the College cannot adequately ensure that Federal grant funds are properly accounted for.

## **OVERSTATED SALARIES**

### **Federal Regulations**

Office of Management and Budget (OMB) Circular A-21, section J.8.b.(1)(b) on payroll distribution, states that employees' salaries and wages that are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods that equitably distribute charges for employees' activities and distinguish employees' direct activities from their indirect activities.

Section J.8.b.(2)(b) on criteria for acceptable methods states that the method must recognize the principle of after-the-fact confirmation or determination so that distributed costs represent actual costs. Direct cost activities and facilities and administrative (F&A) cost activities may be confirmed by responsible persons who are able to verify that the work was performed. Further, section J.8.b.(2)(c) states that the payroll distribution system will allow for confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs.

OMB Circular A-21, section C.4.a on allocable costs, states that a cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

### **Overstated Actual Principal Investigator Activity and Labor Distribution Percentages**

The College overstated salaries for the PI during the 20-month period from May 1998 to April 2000. The College claimed salaries that were not consistent with the PI's actual activity and used an overstated labor distribution percentage.

During the 18-month period from July 1, 1998, through March 31, 2000, the College charged 100 percent of the PI's activity to three NIH grants. However, the PI's actual activity included other activity not related to these grants. Our review of information on courses taught at the College showed that the PI taught a radiation biology course. The PI confirmed that he had taught this course and also expended effort on grant applications, administration, and internal research during this period. The PI stated that he normally gives about 20 percent of his effort to activities that are not grant related. To confirm grant application activity, we obtained a listing of the PI's significant grant application activity from the College. To ensure an equitable distribution of salary costs, we have adjusted the level of effort charged to the NIH grant from 100 percent to 80 percent to reflect the PI's actual activities during this period. The lack of adequate procedures to account for grant application activity is discussed in the Internal Control Weaknesses section on page 4.

During the 2-month period from May 1, 1998, to June 30, 1998, the College's labor distribution report showed a 27.50 percent distribution to the NIH grant. Our

computation showed that the College's labor distribution was overstated by 3 percent and should be 24.64 percent.

As a result, the College overcharged the NIH grant:

- \$36,268 (\$17,488 in salary and \$18,780 in related fringe benefits and indirect costs) for PI effort not related to the grant, and
- \$1,512 (\$721 in salary and \$791 in related fringe and indirect costs) from an overstated PI labor distribution percentage.

These overcharges occurred because the College does not have adequate payroll labor distribution procedures to ensure that changes to planned activities are identified and adjusted and labor distribution percentages are accurately computed.

## **INTERNAL CONTROL WEAKNESSES**

### **Grant Application Activity**

#### **Federal Regulations**

OMB A-21, section J.34, states that proposal costs are the costs of preparing bids or proposals on potential Federal and non-Federal sponsored agreements or projects, including the development of data necessary to support the institution's bids or proposals. Pursuant to this circular, "Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as F&A costs and allocated currently to all activities of the institution. . . ." Section F.6.(a)(2) states that the institution's method may be to treat proposal costs by some other recognized method. Departmental administration expense includes salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty and other professional personnel conducting research. However, for calculating the indirect rate, OMB limits administrative work in the academic departments to 3.6 percent of the modified total direct costs.

#### **Grant Application Activity Charged to NIH Grants**

We found no documentation that researchers working on this grant accounted for effort spent preparing new proposals or competing grant renewals. However, during our interview with the PI in December 2004, he told us that his grant application activity can be extensive, and an NIH grants officer confirmed that 3–6 months of effort is not unusual for writing a lengthy grant application.

During the grant project period from May 1998 through December 2002, grant application information from the College showed that the four researchers whose grant application activity we reviewed worked on Federal and non-Federal grant applications. However, the researchers' effort reports for the same period did not reflect any grant

application activity. The efforts that these four researchers expended on new and competing grant applications are summarized below:

- Labor distribution records for the 18-month period from July 1, 1998, through March 31, 2000, showed that 100 percent of the PI's activity was charged to three NIH grants. During this same period, however, the College's records showed that the PI submitted three new or competing renewal applications totaling almost \$1.0 million. The PI worked on the NIH grant under review from May 1998 through April 2001. In total, during this 3-year period, the PI submitted 10 new or competing renewal grant applications totaling \$5.0 million. The College could not provide adequate support to show that this grant application activity had been properly charged.
- A second researcher worked on the NIH grant from May 1998 through June 2001. During this period, this individual submitted 14 new or competing renewal grant applications totaling \$2.9 million, but labor distribution records show that 100 percent of this individual's effort for this period was charged to the NIH grant.
- A third researcher worked on the grant from May 1998 through June 2002. During this period, this individual submitted seven new or competing renewal applications totaling \$1.0 million, but labor distribution records show that 100 percent of this individual's effort for this period was charged to the NIH grant.
- A fourth researcher worked on the grant from May 2000 through April 2001. During this period, this individual submitted one new grant application totaling \$125,000. Labor distribution records show that 100 percent of this individual's effort for this period was charged to the NIH grant.

We could not readily calculate the amount of salaries, fringe benefits, and other costs related to grant application activity that was improperly charged to the NIH grant, but the level of grant application activity for these four researchers was significant. The lack of reported effort on grant application activity and evidence that the PI and staff charged this effort directly to the NIH grant causes concern because:

- the effort given to developing grant proposals detracts from the effort that the PI and staff can devote to the research for which the grant was funded. The level of effort to be committed by the PI is a critical factor in the awarding of grants by NIH.
- this practice gives the PI and staff an unfair competitive advantage over other researchers seeking NIH research funding who do not have Federal grants to subsidize their grant application efforts.
- the College is recovering grant application costs twice, both as a direct charge to NIH grants and as part of the 3.6 percent allowance that is recovered as part of the indirect rate.

These improper charges occurred because the College does not have written operating procedures available to researchers that specify what constitutes grant application activity and how related salaries, fringe benefits, and other costs are to be accounted for.

## **Payroll Distribution System**

### **Federal Regulations**

OMB Circular A-21, section J.8.c.(1) on plan confirmation systems, states, “The system will reasonably reflect only the activity for which the employee is compensated by the institution. . . . Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities.” Annual certifications are required under the plan confirmation system. Further, section J.8.b.(2) states that the system will provide for independent internal evaluations to ensure the system’s integrity and compliance with Federal standards.

### **Inadequate Labor Distribution System**

The College implemented changes to its payroll distribution and certification system to be effective in August 2002. As part of its review of the proposed system, HHS officials provided the College with a letter dated February 7, 2002, that identified four conditions that the College needed to address for its new system to be approved. Our review of information provided by the College showed that the new labor distribution system was not adequate because it did not meet two of these conditions, as summarized below.

- One condition stipulated that the annual employee effort certification statement must be revised to state, “The above salary distribution, which represents 100 percent of the salary, is reasonable in relation to the work performed on these projects and includes committed cost sharing.” The College did not fully adopt the specified HHS language.
- The second condition required that the College’s Cost Accounting Standards Board Disclosure Statement (DS-2) reflect revisions to its activity reporting system as they occurred rather than once a year. The DS-2 document that the College gave us at the start of our audit in May 2004 did not reflect the revised activity reporting system that had been implemented in August 2002.

Because it has not addressed the conditions set forth by HHS for its new payroll distribution system, the College is operating on an unapproved system. This lapse occurred because the College did not have an adequate oversight process to ensure that HHS’s conditions for implementing proposed changes to its payroll distribution system were addressed on a timely basis.

## **Subrecipient Monitoring**

### **Federal Regulations**

OMB requires that grant recipients monitor subgrant recipients to ensure that they administer Federal awards in compliance with laws, regulations, and subgrant terms and conditions and that they achieve their performance goals. OMB Circular A-110, subpart C, section 51 on monitoring and reporting program performance, states, “Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in section 26.”

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires that non-Federal entities that expend \$300,000 or more in Federal awards during a fiscal year shall have a single audit conducted. For those entities with less than \$300,000, pass-through entities shall monitor subrecipient use of Federal awards through site visits, limited scope audits, or other means. Pass-through entities should consider risk factors in developing cost-effective monitoring procedures that consider relative size, complexity, and other unusual circumstances.

### **Inadequate Monitoring of Subrecipient Costs**

The three subgrants included in this grant total \$716,522, or about 26 percent of the \$2.73 million in total costs claimed. The three subrecipients are a university in Illinois and two foreign universities, located in Belgium and Wales. The College did not have adequate procedures for monitoring subrecipient costs. The College could not document that it had ensured that subrecipients met audit requirements or that it had established appropriate monitoring levels in compliance with Circular A-133. We also found no documented evidence that the College had performed the appropriate risk assessments. The College had obtained a letter from the domestic subrecipient that stated that a single audit had been performed and that the audit did not identify any findings that would affect the subgrant. However, we found no documented evidence that the College had reviewed the audit report to validate the results claimed in the subrecipient’s letter. For the two foreign subrecipients, which did not have a single audit, the College performed no risk assessments to determine the need for site visits, limited scope audits, or other means of monitoring use of award money.

The College’s subrecipient monitoring procedures only require that invoices be reviewed and signed by the PI and the manager of sponsored research. It has no additional guidelines that specify the duties and responsibilities involved in reviewing the subrecipient invoices.

The three subrecipients submitted a total of 35 invoices during the project period. Our review of these invoices disclosed that the College did not adequately review subrecipient

costs claimed to ensure that these costs complied with subgrant terms and conditions. We found that, of the 35 paid invoices,

- 19 invoices, received from all three subrecipients, did not contain required information showing the current and cumulative expenses;
- 10 invoices, which came from two subrecipients, did not contain dates of service;
- 8 invoices, all from the same subrecipient, did not contain the required signature of the subrecipient administrator; and
- 3 invoices, one from each of the three subrecipients, did not contain the required approval of the College's sponsored projects manager.

In addition, we noted that:

- 3 invoices from one foreign subrecipient were paid incorrectly because the amounts claimed had not been converted to US dollars, and
- 27 invoices from the domestic and one foreign subrecipient did not contain evidence of the subrecipient PI's approval.

Because the College did not have adequate policies and procedures for monitoring subrecipients, it claimed \$716,522 in subrecipient costs without adequate review to ensure that the costs complied with applicable Federal requirements and subcontract terms and conditions.

## **RECOMMENDATIONS**

We recommend that the College:

- make a financial adjustment to NIH for \$37,780 (consisting of \$18,209 in overstated salaries and related fringe and indirect costs of \$19,571);
- improve payroll labor distribution procedures to ensure that (i) changes to planned activities are identified and adjusted and (ii) labor distribution percentages are accurately computed;
- establish written operating procedures available to researchers that specify what constitutes grant application activity and how related salaries, fringe benefits, and other costs are to be accounted for;
- work with NIH to provide a reasonable adjustment for grant application activity improperly charged to NIH grants;

- comply with all HHS conditions for implementing proposed changes to the payroll distribution system; and
- establish detailed subrecipient monitoring procedures to comply with A-133 requirements and subgrant terms and conditions.

## **OTHER MATTERS**

The PI's salary during the grant period exceeded NIH's annual salary cap of \$125,000, but this excess salary was not charged to the NIH grant. The College and DCA consider the excess salary an unallowable cost. Pursuant to OMB Circular A-21, the unallowable excess salary should be treated as a direct cost and be included in the College's modified total direct cost (MDTC) base for establishing negotiated indirect rates. A College official stated that these excess unallowable salaries are included in the MTDC base for indirect rate purposes. Although DCA requested that we confirm this treatment, the College did not provide the necessary information from its most recently submitted rate proposal records.

## **DARTMOUTH COLLEGE'S COMMENTS**

### **Overstated Salaries**

#### **Actual Principal Investigator Activity**

The College did not agree with our conclusion that the NIH grant was charged \$36,268 for PI effort not related to the grant. In response to our findings, the College stated that:

- Although the PI taught a radiation biology course, this commitment required 5 hours of lecture per year. The College maintained that, because this minimal effort is allowed by OMB Circular A-21, section J.8.b.(1)(c), the PI and the College correctly did not adjust the PI's effort during the 18-month period.
- The PI did not have "significant grant application activity" during this period. The PI prepared two R03 Fogarty international grant applications for \$20,000 and \$32,000. In addition, he submitted a supplemental request to the grant under review. The College asserted that preparing these three proposals required an insignificant amount of effort from the PI.
- A review of the PI's time allocation over the entire period under review (see Exhibit 1, Investigator 1) demonstrates that he had adequate institutional salary support in aggregate during the period of the grant. Furthermore, although the PI had told us that he normally spends about 20 percent of his effort on activities that are not grant related, the College claimed that he later clarified that he was relieved of administrative duties during the time period in which he was 100% grant funded (see Exhibit 2).

## **Overstated Labor Distribution Percentages**

The College concurred with the proposed adjustment of \$1,512 to the PI's salary but stated that this payment in excess of the NIH cap was an isolated instance of human error.

The College did not agree with our recommendation that it improve its payroll distribution procedures to ensure that (i) changes to planned activities are identified and (ii) labor distribution percentages are accurately computed. It stated that it has the following policies and procedures in place to ensure compliance in these two areas:

- “A Quick Guide for Responsible Sponsored Activities” (Exhibit 3) outlines time, effort, and salary responsibilities of the PI and departmental administrators. These guidelines are distributed at new faculty orientations and are also available on the Web.
- Labor distribution reports are distributed annually to department administrators, who are responsible for ensuring that these reports are reviewed and signed by each individual faculty member or investigator paid on grants.
- Reports of all labor assigned to each grant are distributed monthly to departments for review and signed annually by PIs to verify that the salary dollars are reasonable for the work performed.

The College also stated that it has the following controls in place to prevent miscalculation of the salary cap:

- preparation and review procedures for payroll authorizations and labor account distribution change forms (see Exhibits 4 and 5);
- the approval review described in Exhibit 6, a document used by the Office of Sponsored Projects' Grant Specialists describing the calculation of the NIH salary cap and the requirements of the Specialist's review while monitoring grants; and
- the College's annual audit under Circular A-133, during which selected payroll transactions are tested for various compliance elements, including cap calculation. During fiscal years 1998-2004, these audits identified no salary cap miscalculations.

## **Internal Control Weaknesses**

### **Grant Application Activity**

The College agreed that its written procedures concerning what constitutes grant application activity and how related salaries, fringe benefits, and other costs are to be accounted for could be more explicit. The College stated that it will revise its procedures

and disseminate them through its Office of Sponsored Programs Web site, new faculty orientation programs, and training materials for investigators and grant administrators.

However, the College did not agree that four researchers, including the PI, prepared grant applications while reporting 100 percent effort to sponsored research during the grant period from May 1998 to April 2000. The College maintains that no improper charges were made to the NIH grant for the following reasons:

- Competing renewals are considered progress reports under NIH Internal Manual, section 55805 – Closeouts, and therefore the effort required to complete competing renewal applications is an allowable expense on an NIH grant.
- Many of the grant applications were prepared during periods when the investigators were funded from institutional sources.
- The investigators served as co-PIs on several of the applications identified and had minimal roles in preparing those applications.
- Many of the applications were for small grants or were resubmissions of previous applications and thus did not require substantive effort that would impinge on sponsored activities.
- During periods when investigators did not have institutional funding, any effort expended on these applications was done on faculty-donated time outside of a faculty member's "College time."

Therefore, the College concludes that the four researchers' attestation of accuracy when assigning 100 percent of their time to sponsored projects during portions of this time period are appropriate and that no salary adjustments are warranted.

The College did not agree that it had recovered grant application costs twice, both as a direct charge to the NIH grant and as part of the 3.6 percent allowance that is recovered as part of the indirect rate. The College maintains that, since the PI's salary was not charged to a Dartmouth department account during the 1999 base year, it was not included in the 3.6 percent allowance calculation.

### **Payroll Distribution System**

The College did not agree with our finding that its payroll distribution system did not comply with two conditions imposed by HHS. The College stated that the design and operation of the payroll distribution system was consistent with that approved by HHS in letters dated July 29, 1981, and February 3, 1983, along with the most recent letter of February 7, 2002. The College provided the following information regarding the two conditions that we had identified as unmet:

- Although the labor distribution forms do not include the precise language included in the February 7, 2002, HHS letter, the College maintains that meeting the intention of HHS's conditions does not require adopting the precise language in the letter.
- The College revised its DS-2 document to reflect the new labor distribution practices and resubmitted it to DCA on January 21, 2005. DCA determined that the College's DS-2 adequately discloses the cost accounting principles required to be disclosed by the Cost Accounting Standards Board's rules, regulations, and standards, and that those practices comply with applicable federal cost accounting principles. The letter from DCA documenting this conclusion (Exhibit 7) was received in July 2005, after our review.

Thus, the College believes that its current payroll distribution system complies with HHS's requirements.

### **Subrecipient Monitoring**

The College did not agree with our recommendation that it establish detailed subrecipient monitoring procedures to comply with A-133 requirements and subgrant terms and conditions. The College maintained that its subrecipient monitoring procedures are appropriately designed and that the NIH grant was charged only for legitimate costs. The College stated that its subrecipient monitoring procedures, which are documented in "A Quick Guide for Responsible Sponsored Activities" and the "Dartmouth Sponsored Research Manual, Post-Award Project Management," specify that the PI, the department administrator, and the Grant Manager in the College's Office of Sponsored Projects must review and approve all invoices from subgrantees before they are paid.

In response to our finding that the College did not provide evidence that it had performed appropriate risk assessments for the three subrecipients, the College asserted that each of these subrecipients met audit requirements for subrecipients and that its risk assessment procedures were appropriate under the circumstances. The College stated that its risk assessment procedures for subrecipients are described by the Office of Sponsored Projects' Checklist for PHS 398 Applications (Exhibit 8), as outlined below:

- The Office of Sponsored Projects obtains audit reports from the subrecipient or through the Federal Audit Clearinghouse.
- The College requests letters certifying the extent to which audit findings affect the grants that the College had subcontracted.
- The Office of Sponsored Projects maintains a database to track all subrecipient audits obtained and has recently added a quality control field to the database to document that this information has been reviewed.

- In addition to offering internal training sessions throughout the year, the Office of Sponsored Projects encourages Office and academic department staff to participate in relevant external training opportunities.
- Effective in early 2005, the Office of Sponsored Projects expanded the risk assessment review to include the “Subrecipient Information Sheet” (Exhibit 9), which all subrecipients must complete before entering into a subcontract with the College.

The College also stated that it had added a Sub-Award Coordinator position to the Office of Sponsored Projects in 2004 to ensure that these awards are issued and monitored in accordance with College, sponsor, and Federal requirements.

The College did not disagree with the deficiencies in subrecipient invoices cited in our report. However, the College provided (i) differences in the number of deficiencies reported and (ii) explanations for why the deficiencies were acceptable.

## **OFFICE OF INSPECTOR GENERAL’S RESPONSE**

### **Overstated Salaries**

#### **Actual Principal Investigator Activity**

During an interview on December 14, 2004, the PI informed us that activity that was not grant related averaged about 20 percent of his total effort during the entire grant period reviewed. The PI did not mention any significant deviations from this level of activity.

Although the College stated in its response that the PI had been relieved of administrative duties during this 18-month period, it did not provide any official documentation to support this claim.

For these reasons, we maintain that activity that was not grant related reasonably accounted for about 20 percent of the PI’s effort during this 18-month period. This level of activity would also be consistent with the PI’s grant application activity, his teaching duties, and his administrative duties as Director of Research for Radiology. Accordingly, the College should provide an adjustment totaling \$36,128 to NIH and make necessary improvements to its payroll distribution system to more accurately reflect actual activity.

#### **Overstated Labor Distribution Percentages**

The College’s response did not reveal improvements in procedures or processes to ensure that labor distribution percentages are accurately computed. Three of the four Exhibits are copies of procedures that are undated and have no effective dates.

Although one exhibit contains an NIH document on how to calculate the NIH salary cap, the College does not use this method. Instead, it computes the allowable salary by

calculating an adjusted labor distribution percentage. However, the College has no written instructions for calculating this percentage.

As part of the A-133 audits, public accounting firms select a very limited number of grants and related transactions to be tested. In fiscal year 2003, 10 of the College's grants were selected for salary testing, but only 2 of these were NIH grants that had researchers with high salaries (one on each grant). Moreover, the researchers' salaries were tested for only one selected pay period. In contrast, we reviewed the excess salary calculation over the full 3.67 years of the grant. The limited testing conducted in an A-133 audit does not guarantee that the miscalculation disclosed by our review was an isolated instance.

## **Internal Control Weaknesses**

### **Grant Application Activity**

The College did not provide any policies and procedures on what constitutes grant application activity and how researchers' efforts on this activity are to be accounted for, although we requested this information. The College also did not provide evidence of any properly recorded grant application activity for the four identified researchers over the approximately 4-year grant period. The College did not support its contention that grant application activity was charged to an institutionally funded account or performed by researchers on their own time. Moreover, the College's DS-2 submission makes no mention of these alternative methods of accounting for grant application costs. We also found no discussion of grant application activity in our review of faculty guideline information on use of outside time.

Since the College has no policies, procedures, or instructions that define the types of grant application activity and how each type of activity is to be charged, researchers would not have charged their activities as described by the College. The lack of proper guidance to researchers would lead us to conclude that overcharges are not confined to just this NIH grant but apply to all of the College's Federal grants. In all of these cases, the College could recover grant application activity costs twice, both as a direct charge and as part of the 3.6 percent allowance calculation.

The College's grant application activity is significant. The total amount of new and competing renewal activity described in the College's response is not significantly different from the findings in our report. The College's A-133 audit reports from 2000 to 2004 show that grant award expenditures increased by about 70%. Unless this situation is corrected, the potential overcharges will increase at a rapid rate.

Accordingly, we continue to recommend that the College work with NIH to provide an adjustment for grant application activity that was not properly accounted for and establish written procedures to guide researchers in accounting for grant application activity.

## **Payroll Distribution System**

The College's response does not provide assurance that the College has satisfied two of the conditions cited by HHS in its February 7, 2002, letter for an approved system because:

- the language adopted by the College omits the HHS-required phrase that the employee's certification "represents 100 percent of the salary." The HHS letter states that the College "must" adopt the specified language. If the College chooses to omit this phrase, it should obtain approval from HHS for the deviation.
- the College's August 2002 changes to its payroll system were not reflected until 2.5 years later, in its January 21, 2005, revised submission to DCA, even though HHS states that "these changes must be made as they occur." We requested a copy of the College's revised DS-2 submission to DCA to verify that the payroll changes were included in this submission, but the College declined to give us a copy. The College indicates that DCA approved its DS-2 document in July 2005. However, the College did not provide evidence that future changes to its activity reporting system will trigger corresponding timely updates to its DS-2 disclosure statement.

As a result, we believe that the College's current payroll distribution system does not fully comply with HHS requirements.

## **Subrecipient Monitoring**

The College's subrecipient monitoring procedures are not adequate to ensure that the NIH grants are charged only for legitimate costs. When we requested information on subrecipient monitoring policies and procedures, the College provided us a page from its postaward manual that contained only one sentence relating to monitoring: "Invoices submitted by the subcontractee must be reviewed and signed by the project's Principal Investigator and Dartmouth College's Office of Sponsored Project's Sponsored Research Manager before payment is processed." The "QuickGuide" does not contain any additional guidelines specific to subrecipient monitoring other than stating that the PI is responsible for monitoring the performance of the subrecipient. No written procedures specify the areas of PI responsibility and the monitoring steps that a PI performs. The College's response and existing procedures also do not specify how a Department Administrator or the Office of Sponsored Projects Grant Manager is to review an invoice to determine its appropriateness. Moreover, of the 35 subrecipient invoices that we examined, 8 had no evidence of Department Administrator review, and 3 contained no evidence of Grant Manager review.

Our finding is focused on the inadequate postaward monitoring of subrecipient agreements, and the College's response contains no evidence to change this finding. The College states that risk assessment procedures are described in the PHS Form 298, but

this form relates to NIH grant applications and contains no information on postaward subrecipient monitoring.

Our comments on the College's risk assessment process are detailed below:

- Although it may be the practice of the Office of Sponsored Projects to obtain audit reports either from the subrecipient or through the Federal Audit Clearinghouse, this step is not an established procedure. We also did not find procedures that detail what the designated monitoring official is required to do with the audit report and what analysis is to be performed.
- The College provided no assurance that subrecipient certifications are accurate and no written procedures on how the College validates these certifications.
- Although the College stated that the Office of Sponsored Projects maintains a database to track all subrecipient audits obtained, the College did not provide any written procedures to show exactly what is entailed in its review of this database. As a result, we cannot evaluate the adequacy of the reviews that it conducted.
- The College did not specify what the relevant external training opportunities were and whether this training included the subrecipient monitoring and risk assessment steps that staff are required to perform.
- The "Subrecipient Information Sheet" (Exhibit 9) is an undated document that appears to have been prepared after the exit conference on April 6, 2005, when the College told us that it had no written risk assessments from subrecipients. The College also stated that this checklist is a preaward document. Thus, the College still has no risk assessment procedures for determining the extent of subrecipient monitoring during the period of the subgrant.

The College's new Sub-Award Coordinator position is part of the sponsored research projects preaward unit rather than its postaward unit. In addition, the College did not provide (i) an official personnel document that would confirm the duties and responsibilities of this position or (ii) evidence of detailed written procedures that would ensure that the stated responsibilities are required to be carried out.

The results of our review of 35 subrecipient invoices were provided to the College early in our audit in November 2004. The College did not dispute these results until its August 1, 2005, response to the draft report. Although the College pointed out that the lack of proper approvals that we cited are not required under A-21 and A-133, these approvals were required under the subaward terms and conditions, as we stated in our report. We maintain that the College needs to substantially improve its subrecipient monitoring process.

# APPENDIXES

**DARTMOUTH COLLEGE**  
**SCHEDULE OF COSTS QUESTIONED BY CATEGORY**  
**CIN-A-01-04-01506**

	<b>Costs Claimed</b>	<b>Disallowed</b>	<b>Recommended</b>
Salaries&Wages	\$833,524	\$18,209	\$815,315
Fringe Benefits	217,427	5,285	212,142
Total Personnel	1,050,951	23,494	1,027,457
Equipment	29,906		29,906
Supplies & Other Cost	84,478		84,478
Travel Costs	25,629		25,629
Animal Resources	67,616		67,616
Purchased Services	722,937		722,937
Other Costs	1,200		1,200
Total Direct Costs	<u>\$1,982,717</u>	<u>\$23,494</u>	<u>\$1,959,223</u>
Total F & A	746,799	14,110	732,689
Total Costs	<u><u>\$2,729,516</u></u>	<u><u>\$37,604</u></u>	<u><u>\$2,691,912</u></u>



**Dartmouth College** HANOVER • NEW HAMPSHIRE 03755-3529  
*Office of the Executive Vice President* 102 Parkhurst Hall

TELEPHONE: (603) 646-2443 • FAX: (603) 646-2035

August 1, 2005

Mr. Michael J. Armstrong  
Regional Inspector General for Audit Services  
Department of Health and Human Services – Region I  
John F. Kennedy Federal Building  
Boston, MA 02203

**Subject: Draft Report #A-01-04-01506**

Dear Mr. Armstrong:

Enclosed is Dartmouth College's response to the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' draft report entitled "Dartmouth College, Review of NIH Grant Costs, 5 P01 GM51630-06" for the four-year, eight-month period from May 1, 1998 through December 31, 2002.

We appreciate the opportunity to present our views relative to the findings and recommendations in your draft report and we also are grateful for the extension of time (email from Dan Lew to Kathy Page of June 29, 2005) to respond to this review. I hope that you will find our response and the supporting documentation helpful and to the point. Our response begins with an Executive Summary and is followed by detailed responses to each of the recommendations that include clarifications of facts and information that may not have been available to the OIG reviewers.

On behalf of Dartmouth College, I want to thank you and your staff for the professional manner in which this review was conducted. We would welcome the opportunity to meet directly with you and your staff to continue this discussion to ensure that the final report reflects all available information.

Please feel free to contact me if you have questions or would benefit from additional information. I look forward to hearing from you.

Sincerely,

Adam M. Keller  
Executive Vice President for Finance and Administration

## TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS	
Overstated Salaries	
Principal Investigator Activity	4
Overstated Labor Distribution Percentages	5
Internal Control Weaknesses	
Grant Application Activity	6
Payroll Distribution System	7
Subrecipient Monitoring	8
OTHER MATTERS	10
CONCLUSION	11
EXHIBITS	
Exhibit 1: Chronology of Investigator Salary and Grant Application Activity	
Exhibit 2: PI Statement of Administrative Activities	
Exhibit 3: Dartmouth College Guide for Responsible Sponsored Activities, 1998	
Exhibit 4: Dartmouth Medical School Policies & Procedures Manual, page 4	
Exhibit 5: Dartmouth Medical School Payroll Authorizations & Related Forms	
Exhibit 6: Office of Grants & Contracts Specialist Handbook	
Exhibit 7: Dartmouth CASB Disclosure Statement Approval by DHHS, July 1, 2005	
Exhibit 8: Dartmouth College PHS 398 Application Checklist	
Exhibit 9: Dartmouth College Subrecipient Information Sheet	

## EXECUTIVE SUMMARY

The U.S. Department of Health and Human Services, Office of Inspector General's (OIG) draft review had a number of recommendations concerning Dartmouth College's effort reporting systems and internal controls. The review concluded that the NIH grant reviewed by OIG was overcharged by \$37,780 for a portion of the principal investigator's (PI) salary due to inaccurate effort reporting and miscalculation of the salary cap.

We believe that effort reporting at Dartmouth College is compliant with DHHS requirements and accurately reflected the PI's effort on the grant. In particular, during the 18-month period in question, (1) the PI's institutional administrative responsibilities had been waived; (2) the competitive renewal application is considered by the National Institutes of Health (NIH) to be a progress report and thus his time spent is an allowable cost; and (3) the three other grant applications cited required little work and were prepared on the PI's own time and therefore did not diminish the PI's 100% effort on NIH grants.

Dartmouth acknowledges an isolated human error in the calculation of the salary of the PI in relation to the NIH cap that resulted in an overcharge of \$1,512 to the grant. The College is prepared to make a financial adjustment to the NIH of this amount.

The draft OIG review presented internal control weaknesses related to (1) inadequate procedures to account for grant application activity; (2) noncompliance with DHHS requirements for Dartmouth's payroll system and (3) inadequate procedures to monitor subrecipient costs. In all three cases, we wish to bring to your attention additional information that leads us to conclude that our existing internal controls are effective and appropriate under the circumstances.

First, during the period of the audit, the College had in place numerous controls to monitor salary allocations for faculty to assure that there was accurate effort reporting, particularly for those individuals most at-risk of overstating effort on sponsored projects. With regard to grant application activity during the time period under review, no financial adjustment for these investigators is required because: (1) the grants were written during periods when the investigators had institutional funding; (2) the proposals were competing renewals and considered progress reports by the NIH; (3) the preparation required was not substantive because the investigators were Co-PIs on the proposals and/or the applications were for small grants or resubmissions of previous applications; or (4) the proposals were written on the investigators' own time.

Second, the language in Dartmouth's effort reporting document does address the conditions raised by the DHHS review process. This was confirmed in our recent conversation with the DHHS Director of Cost Allocation, Northeastern Region, as well as by DHHS's formal approval letter of College policies and procedures, dated July 1, 2005.

Finally, the extensive subrecipient monitoring procedures used at Dartmouth include review and sign-off of subcontractor invoices by both the PI and the Office of Sponsored Projects, and are fully compliant with DHHS requirements. Since the period under review, Dartmouth has further strengthened these procedures.

## MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS

### OVERSTATED SALARIES

#### PI Activity

The OIG recommends that the College make a financial adjustment to NIH for \$37,780. This proposed adjustment reflects two potential findings by the OIG: (1) that the College overcharged the NIH grant \$36,268 of salary, related fringe benefits and F&A costs for PI effort not related to the grant; and (2) that the College overcharged the NIH grant \$1,512 in salary, related fringe benefits and F&A costs from an overstated PI labor distribution percentage.

We do not agree with the conclusion that the NIH grant was charged \$36,268 for PI effort not related to the grant. This assessment is related specifically to an 18-month time period when the PI had 100% salary allocated to grants. The OIG staff noted three activities that could be in conflict with the 100% effort allocation. These are clarified and addressed below:

- The OIG noted that the PI was an instructor for a radiation biology course. This commitment required 5 hours of lecture per year. The PI had delivered these lectures for the six years preceding this period and therefore preparation time was minimal. The PI and the College correctly did not adjust the PI's effort during the 18-month period for this minimal effort, as allowed for by A -21 Section J.8.b(1)(c).
- The OIG draft report stated that the PI had "significant grant application activity" during this period. In fact, the PI prepared two R03 Fogarty international grant applications for \$20,000 and \$32,000, respectively, for travel funds for an overseas colleague to work in the investigator's lab. In addition, he resubmitted a supplemental grant request to the grant under review. Preparation of these three proposals required an insignificant amount of effort on the part of the PI. Over the course of the 18-month time period in question, this work was incidental and did not detract from the PI's effort on the sponsored research for which he was PI. See Exhibit 1 for a summary of the PI's salary and grant application activity.
- The OIG references discussions with the PI in which he stated that "he normally expends about 20% of his efforts on non-grant related activities". A review of the chronology of his time allocation over the entire period under review (see Exhibit 1 Investigator 1) demonstrates that there was adequate institutional salary support in aggregate during the period of the grant. In a follow up to the OIG discussion, the PI clarified that he was relieved of administrative duties during the time period in which he was 100% grant supported (Exhibit 2).

### **Overstated Labor Distribution Percentages**

We concur with the proposed adjustment for \$1,512 caused by an isolated instance of human error in the calculation of the PI's salary in excess of the NIH cap for the two-month period May 1, 1998 through June 30, 1998.

The OIG review recommends that the College improve payroll labor distribution procedures to ensure that (i) changes to planned activities are identified and adjusted, and (ii) labor distribution percentages are accurately computed. The following policies and procedures are in place at Dartmouth to ensure compliance in these two areas:

- "A Quick Guide for Responsible Sponsored Activities" (Exhibit 3) was disseminated in October 1998 to outline time and effort and salary responsibilities of the PI and departmental administrators. Similar guidelines are now available on the Dartmouth College Office of Sponsored Projects' web site. This information is also handed out at the New Faculty Orientations hosted by the Office of Sponsored Projects.
- The verification of the Labor Distribution Report for each individual paid on grants is distributed each year by the Office of Sponsored Projects to department administrators who are responsible for ensuring the reports are reviewed and signed by each individual faculty member or investigator.
- Reports of all labor assigned to each grant are distributed monthly to departments for review. Annually, the PI signs the report verifying the salary dollars are reasonable for the work performed.

The College has a number of controls in place to prevent miscalculation of salary on grants, including the following related to calculation of the salary cap:

- Payroll Authorizations/Labor Account Distribution Change Forms are prepared and reviewed in the originating department and routed for review and approval to the responsible school Fiscal Officer, and then to the Office of Sponsored Projects before the information is entered into the payroll system. (Exhibit 4 – DMS Payroll Authorization Manual, page 4, and Exhibit 5 – DMS Payroll Authorization & Related Forms.)
- The approval review in the Office of Sponsored Projects is described in Exhibit 6, a document used by the Office of Sponsored Projects' Grant Specialists describing the calculation of the NIH salary cap and the requirements of the Specialist's review while monitoring the grants.
- During the College's annual audit under Circular A-133, a selection of payroll transactions are tested for various compliance elements, including cap calculation. During the fiscal years 1998 – 2004, there were no findings of this nature identified in the A-133 audit reports.

## **INTERNAL CONTROL WEAKNESSES**

### **Grant Application Activity**

The OIG audit stated that, during the grant period from May 1998 to April 2000, four researchers, including the PI, prepared grant applications while reporting 100% effort on sponsored research for a significant portion of that period. The OIG reviewers concluded that grant application activity had been improperly charged to NIH grants and recommended that the College provide a reasonable adjustment for that activity.

Exhibit 1 summarizes the funding status of the four researchers identified. The summaries detail the salary charged to the various sources of funding including the NIH grant under review, other NIH grants, non-federal sponsored projects and institutional sources. The College does not agree that there were any improper charges made to the NIH grant, for the following reasons:

- Competing renewals are considered to be progress reports under NIH Internal Manual, Section 55805 – Closeouts, and therefore the effort required to complete competing renewal applications is an allowable expense on an NIH grant.
- Preparation of many of the grant applications took place during periods when these investigators were funded from institutional sources.
- The investigators served as a Co-PI on several of the applications identified and had minimal roles preparing those applications.
- The nature of many of the applications as small grants or resubmissions of previous applications<sup>1</sup> did not require substantive effort that would impinge on the effort provided to sponsored activities.
- During periods when investigators did not have any institutional funding, any effort that the researchers did spend on these applications was done on faculty-donated time. Time exists outside of a faculty member's "College time", whether externally funded or not. Examples of such outside time include professional development and consulting (as defined in the Dartmouth College faculty handbook). Therefore, it is reasonable for faculty members' salary to be paid 100% by sponsored programs while they may also participate in grant application preparation and other professional development activities on their own time.

Therefore, the College concludes that the four researchers' attestations of accuracy when assigning 100% of their time to sponsored projects during portions of this time period are appropriate and that no salary adjustments are warranted.

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<sup>1</sup> Note: Resubmissions of previously unfunded or withdrawn applications are coded as "new grant" submissions in the College's grant application database. This may have caused some confusion on the part of the OIG officials.

The College does agree, however, that its written procedures concerning what constitutes grant application activity and how related salaries, fringe and other costs are to be accounted for could be made more explicit. We will revise our procedures, post them on our existing Office of Sponsored Programs website, and use them in new faculty orientation programs and as part of our training materials for investigators and grant administrators.

The OIG report states that the College received duplicate recovery of grant application costs both as a direct charge to NIH grants and as part of the 3.6% allowance that is recovered as part of the indirect rate. Dartmouth disagrees with this statement. Since the PI's salary was not charged to a Dartmouth department account during the 1999 base year, it was not included in the 3.6% allowance calculation.

In addition, we disagree with the OIG's opinion questioning the sufficiency of effort on the research as well as any unfair competitive advantage in proposals. The annual progress reports submitted to the NIH describing the research work were accepted by the NIH without any question of committed time. Further, all proposals go through a peer review process and are judged on their scientific merits with an evaluation of budget to assess the appropriateness of costs proposed for the budget.

### **Payroll Distribution System**

The OIG review states that the College does not have an adequate payroll distribution system because the College did not comply with three conditions imposed by DHHS for implementing changes to the system. We believe that the design and operation of the College's payroll distribution system are consistent with the system that was approved by DHHS in its original approval letters, dated July 29, 1981 and February 3, 1983, along with the most recent letter of February 7, 2002. We provide the following information regarding each of the conditions identified in the OIG report:

- We acknowledge that the labor distribution forms do not include the precise language included in the February 7, 2002 DHHS letter. However, the College's labor distribution forms do include all of the actual salary cost information and must total 100%. Dartmouth changed the language on the labor distribution forms to address concerns outlined in the 2002 DHHS letter. It is the College's understanding that meeting the intention of DHHS's condition does not require adopting the precise language in the DHHS letter. If DHHS requires further revision of the language in the Dartmouth labor distribution forms, then we will submit the forms for approval for the fiscal 2006 verification process.
- DHHS required that the College's system include internal independent evaluations of labor distribution to ensure the systems' integrity and compliance with applicable OMB Circular A-21 labor distribution standards. The College's procedures do include evaluations and approvals of the labor distribution process that are independent of the researchers who are required to verify the information.

Both department administrators and grant managers from the Office of Sponsored Projects review the annual verification forms that are completed by the researchers and evaluate the results. In addition, the College is planning to reinstitute a procedure that requires Department Chairs to review the labor distribution verifications for any researchers who are charged to sponsored projects more than 80% during any quarter of the fiscal year. This procedure was in effect during the grant period.

- The College's DS-2 document was revised to reflect the new labor distribution practices and resubmitted to Department of Health and Human Services, Division of Cost Allocation, Washington, D.C. office (DCA) on January 21, 2005. The DCA determined that the College's DS-2 "adequately discloses the cost accounting principles required to be disclosed by CASB's rules, regulations, and standards, and that those practices are compliant with applicable federal cost accounting principles". The letter from DCA documenting this conclusion (Exhibit 7) was received in July 2005, after the OIG review.

Thus, the College believes that the current payroll distribution system is in compliance with DHHS requirements.

### **Subrecipient Monitoring**

The OIG report recommends that the College establish detailed subrecipient monitoring procedures to comply with A-133 requirements and subgrant terms and conditions. The OIG review did not find any costs charged to this grant that were inappropriate. We believe that the College's subrecipient monitoring procedures are appropriately designed and that the NIH grant was charged only for legitimate costs. The College's subrecipient monitoring procedures, which are documented for PIs, department administrators, and grant administrators in "A Quick Guide for Responsible Sponsored Activities" and the "Dartmouth Sponsored Research Manual, Post Award Project Management," include the following responsibilities:

- PI – The responsibility for the management of the agency funds on behalf of the College rests with the PI. Financial reports should be reviewed on a periodic basis to ensure the reasonableness of expenses and that expenses are allocated appropriately and follow agency regulations. PI's must review and approve invoices from subgrants/subcontracts to ensure appropriate payments.
- Departmental Administrators – Are expected to review invoices to determine the appropriateness of charges from subrecipients. This procedure is documented in the OSP and Dartmouth Medical School training materials for administrators.
- Office of Sponsored Projects Grant Manager (Specialist) – Sends the original subrecipient invoice to the department for the Principal Investigator to review and sign. The invoice is then returned to OSP for the manager's review and approval.

The approved invoice is then sent to Accounts Payable for payment. A copy is put in the grant file.

The OIG report stated they could not find evidence that the College had performed the appropriate risk assessments for the three subrecipients. We believe that each of the three subrecipients identified in the report met audit requirements for subrecipients, and that our risk assessment procedures related to the engagement of these subrecipients were appropriate under the circumstances. The College's risk assessment procedures for subrecipients are described by the Office of Sponsored Projects' Checklist for PHS 398 Applications (Exhibit 8) and are outlined below.

- The role of the Office of Sponsored Projects in proposal review is to ensure that the proposal has all of the necessary information regarding the proposed subrecipient. The Office of Sponsored Projects' procedures include obtaining audit reports from the subrecipient or through the Federal Audit Clearinghouse.
- The College also requests letters certifying the extent to which audit findings do or do not affect the grants that the College had subcontracted to the subrecipient. The impact of any findings concerning the Dartmouth-Entity subagreement on the grant is assessed by the Office of Sponsored Projects.
- The Office of Sponsored Projects maintains a database to track all subrecipient audits obtained. The review of this information and consideration of its impact on the subrecipient agreement has been a required procedure for many years and the Office of Sponsored Projects recently added a quality control field in the subrecipient database to document that the review has occurred.
- In addition to internal training sessions that occur throughout the year, the Office of Sponsored Projects encourages Office and academic department staff to participate in relevant external training opportunities. For example, in June 2003 the Office of Sponsored Projects hosted an audioconference workshop, "Troubleshooting Subrecipient Monitoring: Review of Pass-Through Entity Responsibilities," for grant administrators.
- Effective in early 2005, the Office of Sponsored Projects expanded the risk assessment review to include the completion and review of the "Subrecipient Information Sheet," Exhibit 9. This information is requested from each entity before the Notice of Grant Award is made to Dartmouth from the sponsoring agency and before Dartmouth enters into a subagreement with the subrecipient.

As another demonstration of the College's commitment to subrecipient risk assessment, the Office of Sponsored Projects added a Sub-award Coordinator position in 2004. This position is responsible for issuing and administering sub-awards in compliance with Dartmouth policies and procedures, sponsor regulations, terms and conditions of the prime award, and Circular A-133 sub-recipient monitoring requirements.

The OIG report includes findings related to the invoices paid to the subrecipients. We have reviewed each of these invoices and clarify the findings below:

- *OIG: 19 of 35 paid invoices did not contain required information showing the current and cumulative expenses. Dartmouth College: We concur that 12 of these invoices did not display cumulative expenses. However, we have reviewed these invoices and determined that current charges were presented on the invoices and there were no overcharges to the NIH grant. The remaining invoices did display both current and cumulative expenses.*
- *OIG: 10 of 35 invoices did not contain required dates of service. Dartmouth College: Two of the selected invoices do have the dates of service on them. The remaining eight invoices did not contain dates of service, but detailed supporting documentation attached to each invoice do have the dates of service.*
- *OIG: 8 of 35 paid invoices did not contain the required signature of the subrecipient administrator and 27 of the 35 did not include the approval of the subrecipient PI. Dartmouth College: OMB Circulars A-21 and A-133 do not require that both of these approvals be obtained for subrecipient disbursements. In each case, at least one cognizant official of the subrecipient did sign the invoices authorizing reimbursement.*
- *OIG: 3 of 35 invoices tested did not contain the approval of the College's sponsored projects manager. Dartmouth College: Only one of these invoices did not have the stamp of the College's sponsored projects manager. However, the manager did review the invoice, as evidenced by his handwritten notes on the invoice.*
- *OIG: Three invoices were paid to foreign subrecipients without converting to US dollars. Dartmouth College: While the subrecipient did receive payment in a foreign currency (British pounds), the drawdown from the grant was in US dollars and appropriately converted so that the NIH was not overcharged.*

#### OTHER MATTERS

The "Other Matters" section of the OIG draft report asserts that Dartmouth did not provide the DCA with all information requested for its most recently submitted rate proposal. We disagree with this comment and the Director of Cost Allocation, Northeastern Region, has acknowledged to the DHHS OIG office that Dartmouth has provided all information requested and has been very cooperative when working with his office.

## CONCLUSION

We believe we have addressed all the findings and recommendations in the OIG review draft report, either through clarifications or by providing additional material and information not presented during the site visit. Where appropriate, we will make changes in our procedures or documentation that we hope will enhance our grant administration process. In addition, we will remove the \$1,512 in salary, fringe and related overhead costs for the PI that was overcharged to the NIH grant under review and adjust the SF 272 DHHS Quarterly Report to reflect the reduction in cost.

**Chronology of Investigator Salary and Grant Application Activity**

Color key -  
 new  
 resubmission  
 competing renewal  
 supplemental request

**Investigator 1 - PI**

Time Period	Percentage of Salary Charged During Time Period				Date Submitted Type of Grant Proposal Proposed Direct \$
	FEDERAL NIH Grant in Review	FEDERAL Other NIH	NON-FEDERAL Corporate Sponsored	NON-SPONSORED Departmental accounts	
5/98 - 6/98	30%	55%	0%	15%	#1 6/30/1998 supplemental, \$70k
7/98 - 12/98	40%	60%	0%	0%	#2 7/20/1998 new R03, \$20k
1/99 - 5/99	40%	60%	0%	0%	#3 3/25/1999 new R03, \$32k
6/99 - 3/00	40%	60%	0%	0%	#4 6/29/1999 resubmission, \$75k
4/00 - 11/00	40%	40%	0%	20%	#5 6/1/2000 competing renewal, \$890k
12/00 - 4/01	40%	40%	0%	20%	#6 3/10/2000 new R01, \$1,315k #7 11/20/2000 Co-PI new Cr. grant, \$968k #8 12/19/2000 #9 3/13/2001 resubmission of #5 new NSF coop agrmt, \$14k new Duke subcont., \$30k

**Proposal Submissions for Individual 1 - PI**

- #1 - Supplemental request to award P01 GM51630, \$70k
- #2 - R03 Fogarty International Fellowship, \$20k
- #3 - R03 Fogarty International Fellowship, \$32k
- #4 - Resubmission of Supplemental to P01 GM51630-05S1A1, \$75k
- #5 - Competing renewal for Year 7 of P01 GM51630, \$890k
- #6 - New R01, \$1315k
- #7 - Co-PI (with Individual 2) on new center grant, \$968k
- #8 - New NSF cooperative agreement, \$14k
- #9 - Resubmission of #5 competing renewal, \$872k
- #10 - New Duke subcontract, \$30k

Investigator 2

Percentage of Salary Charged During Time Period

Time Period	Total	FEDERAL			NON-FEDERAL			NON-SPONSORED			Date Submitted	Type of Grant Proposal
		NIH Grant in Review	Other NIH	Corporate Sponsored	Departmental accounts	Corporate Sponsored	Departmental accounts	Proposed Direct \$				
5/98 - 12/98	100%	20%	60%	0%	20%	0%	#1 5/27/1998 new R01, \$228k	#2 6/29/1998 resubmission, \$113k	#3 7/28/98 new, nonfederal, \$25k			
1/99 - 3/99	100%	20%	60%	20%	0%	0%	#4 2/26/1999 resubmission, \$219k	#5 3/26/99 new, non-federal, \$48k				
4/99 - 6/99	100%	20%	60%	20%	0%	0%	#6 6/24/1999 resubmission of #2	#7 6/24/1999 resubmission of #1				
7/99 - 6/00	100%	20%	65%	0%	15%	0%	#8 10/27/1999 competing renewal, \$175k	#9 1/21/2000 new R01, \$125k	#10 6/23/2000 resubmission of #7			
7/00 - 12/00	100%	30%	5%	0%	65%	0%	#11 7/12/2000 resubmission of #8	#12 11/20/2000 new CR grant, \$968k				
1/01 - 5/01	100%	30%	5%	0%	65%	0%	#13 2/21/2001 resubmission of #11	#14 5/24/2001 new DOD/ONR, \$99k				
6/01 - 7/01	100%	15%	45%	0%	40%	0%						

Proposal Submissions for Individual 2

- #1 - New R01 grant, \$228k
- #2 - Resubmission of earlier proposal, 113k
- #3 - New non-federal grant, \$25k
- #4 - Resubmission of earlier proposal, \$219k
- #5 - New non-federal grant, \$47k
- #6 - Resubmission of #2, \$125k
- #7 - Resubmission of #1, \$250k
- #8 - Competing renewal of R01 CA67431, \$175k
- #9 - New R01, \$125k
- #10 - Resubmission of #7, \$250k
- #11 - Resubmission of #8, \$200k
- #12 - New Center grant, \$968k
- #13 - Resubmission of #11, \$225k
- #14 - New Dept. of Defense/ONR grant, \$99k

**Investigator 3**

**Percentage of Salary Charged During Time Period**

Time Period	FEDERAL		NON-FEDERAL		NON-SPONSORED Departmental accounts	Date Submitted Type of Grant Proposal Proposed Direct \$
	NIH Grant in Review	Other NIH and Fed. Flowthru	NIH Grant in Review	Foundation Sponsored		
5/98 - 6/99	80%	0%	20%	0%	0%	#1 6/30/98 Co-PI supplemental, \$70k #2 9/17/98 Co-PI resubmission, \$89k #3 10/23/1998 Co-PI resubmission, \$119k
7/99 - 7/01	56%	29%	15%	0%	0%	
8/01 - 10/01	43%	57%	0%	0%	0%	
11/01 - 12/01	30%	70%	0%	0%	0%	#4 11/8/2001 new R01, \$225k
1/02 - 5/02	20%	80%	0%	0%	0%	#5 1/31/2002 supplemental, \$10k #6 3/27/2002 Co-PI new non-fed, \$197k #7 4/1/2002 resubmission #4, \$100k
6/1/02 - 6/30/02	28.57%	71.43%	0%	0%	0%	#8 6/27/2002 resubmission #4, \$250k

**Proposal Submissions for Individual 3**

- #1 - Co-PI on supplemental request to award P01 GM51630, \$70k
- #2 - Co-PI on resubmission of earlier R01 grant, \$89k
- #3 - Co-PI on resubmission of R01, \$119k
- #4 - New R01, \$225k
- #5 - Supplemental request on #4 to private foundation, \$10k
- #6 - Co-PI on new non-federal, \$197k
- #7 - Resubmission of #4 to new agency, \$100k
- #8 - Resubmission of #4, \$250k

Investigator 4

Percentage of Salary Charged During Time Period

Time Period	Percentage of Salary Charged During Time Period				Date Submitted Type of Grant Proposal Proposed Direct \$
	FEDERAL NIH Grant in Review	FEDERAL Other NIH	NON-FEDERAL Corporate Sponsored	NON-SPONSORED Departmental accounts	
5/98 - 6/00	100%	55%	45%	0%	
7/00 - 6/01	100%	70%	30%	0%	1/31/2001 new R21, \$125k
7/01 - 12/01	100%	50%	50%	0%	
1/02 - 4/02	100%	35%	65%	0%	
5/02 - 6/02	100%	50%	50%	0%	

Proposal Submissions for Individual 4

#1 - New R21 grant, \$125k

Exhibit 2

>Date: 06 Apr 2005 09:43:47 EDT  
>From: Harold M. Swartz  
>Subject: administrative activities  
>To: Nancy J. Wray

Hi Nancy: To confirm formally our conversation, during the time that I have had 100% time commitment to the various grants I was not able to carry out administrative responsibilities that were not directly related to the grants.

Hal

[REDACTED]  
Professor of Radiology and Physiology  
Director EPR Center for Viable Systems  
Dartmouth Medical School  
HB 7785, Vail 702, Rubin 601  
Hanover, NH, 03755

[REDACTED] 90  
[REDACTED] 8  
[REDACTED]  
URL (EPR Center): <http://www.dartmouth.edu/~eprctr/>



**Dartmouth College**

*Office of Grants and Contracts  
11 Rope Ferry Road #6210  
Hanover, NH 03755-1404*

TELEPHONE (603) 646 - 3007

FAX (603) 646 - 3670

EMAIL: grants.and.contracts@dartmouth.edu

To: Deans and Associate Deans

From: [REDACTED] Associate Provost  
[REDACTED] Director of Grants and Contracts  
[REDACTED] Professor of Engineering and Chair of the Council on  
Sponsored Activities

Date: October 1, 1998

Re: A Quick Guide for Responsible Sponsored Activities

At its June meeting the Council on Sponsored Activities (CSA) approved the attached document; A Quick Guide for Responsible Sponsored Activities. The CSA also recommended that we forward this document to the Deans and ask that they distribute it to their faculty and administrators.

The Guide creates no new policy. It merely provides, we hope, an easy reference to existing policies to help Investigators, Department Chairpersons, Departmental Administrators and Deans make a quick and convenient review of their responsibilities when proposals are being prepared for submission to external funding agencies, or their on-going responsibilities once an award has been made to the institution. In view of difficulties experienced by several universities that failed to manage their sponsored activities adequately, we believe the dissemination of this Quick Guide is both prudent and helpful.

We appreciate your assistance in helping the CSA distribute the Quick Guide, and would be happy to answer any questions you may have.

Thank you.

### The Principal Investigators's Quick Guide for Sponsored Activities

• **SCIENTIFIC INTEGRITY.** The PI is responsible for all actions required to manage and complete the scientific aspects of the sponsored project including:

- a) assigning personnel to the appropriate project
- b) adhering to human subject and animal protocols and policies
- c) adhering to chemical, biological, physical and radiation safety
- d) maintaining the integrity of the project and safeguarding notebooks and scientific data
- e) monitoring the performance of subgrantee/subcontractors
- f) filing accurate and timely technical reports

In addition, issues involving scientific misconduct should be dealt with according to the Dartmouth's Misconduct Policy.

• **CONFLICT OF INTEREST.** The PI needs to be familiar with Dartmouth's Conflict of Interest policy (COI), to file a disclosure form annually, and to update a disclosure should a potential conflict arise. The PI must also ensure that project personnel have read the COI policy and have a current disclosure on file if appropriate.

• **EFFORT AND SALARY.** It is the PI's responsibility to make certain that payment of salary or wages to an individual charged to a given project is commensurate with the individual's contribution to that project.

• **FINANCIAL OVERSIGHT.** The ultimate responsibility for the management of the agency funds rests with the PI. Financial reports should be reviewed on a periodic basis to ensure the reasonableness of expenses and that expenses are allocated appropriately and follow agency regulations. PIs must review and approve invoices from subgrants/subcontracts to ensure appropriate payments.

• **PROGRAM INCOME.** It is the PI's responsibility to initiate the recording, accounting, and allocation of program income. The PI must report program income to the federal funding agency on an annual basis (i.e., NIH checklist page) and to the Office of Grants and Contracts for inclusion on financial reports. The Department Chairperson should be informed in writing of program income exceeding \$5000 per year.

• **OUTSIDE INCOME.** If total outside income (consulting fees, etc.) to the PI is greater than 20% of salary, it should be reported in writing to the Department Chairperson.

• **DATA RETENTION.** All original data are to be retained by the PI for a period of at least three (3) years after submission of the final report on the research project for which the data were collected, unless a longer retention period is specified by the sponsor.

**Ref.:**

Public File Server - DCIS: Faculty Handbook, sec.III, part 28;  
Sponsored Research Manual, Office of Grants and Contracts Home page  
(<http://www.dartmouth.edu/admin/grants/>)  
PublicHealthServicePolicy  
(<http://www.nih.gov/grants/policy/gps/8postnew.htm#grants>)  
OMBCircularA110  
(<http://www.whitehouse.gov/WH/EOP/OMB/html/circulars/a110/a110.html>)

Exhibit 3  
page 3 of 5

**The Department Grant Administrator's Quick Guide for Sponsored Proposals/Awards \***

• **ALLOWABLE COSTS TO SPONSORED PROJECTS.** The department administrator is responsible for charging and reviewing expenses to determine that only allowable and allocable direct costs are charged to sponsored projects.

• **MANAGEMENT OF SPONSORED BUDGETS.** The administrator assists the PI by providing financial reports for the PI's review. The department administrator also provides, on a timely basis, information and prepares documents for re budgeting, costsharing/matching, and cost transfers as requested by the PI. The department administrator provides the grant specialist with information for completion of financial reports and, at the end of project, provides information for closing reports.

• **EXPENSES AND REVENUES.** The department administrator is responsible for reconciling expenses and revenues of the grant against expected amounts. The administrator will ensure that all errors are corrected on a timely basis.

• **EFFORT REPORTING.** The department administrator provides information to the PI for compliance with the effort reporting system and processes payroll authorizations/labor distribution forms reflecting the correct effort.

• **CARRYFORWARD OF UNSPENT GRANT FUNDS.** It is the responsibility of the department administrator to know the standard rules for carryforward of unspent grant funds and to inform the grants specialist if the PI has requested funds to be carried forward.

• **PROGRAM INCOME.** The department administrator processes documents to record program income into the accounting system and provides information to the PI to report the income on agency documents.

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\* If the department has no grants administrator, then the above defaults to the PI.

Ref.: -  
Grants and Contracts Home page Sponsored Research Manual,(\*Allowable Costs\*  
<http://www.dartmouth.edu/~grants/POST-AWARD.html#anchor653062>)  
Grants and Contracts Home page(<http://www.dartmouth.edu/~grants/>)  
Grants and Contracts Home page, Sponsored Research Manual, \*Use of Unobligated  
Balances\*, <http://www.dartmouth.edu/~grants/POST-AWARD.html#anchor675208>)  
PublicHealthServicePolicyManual,  
(<http://www.nih.gov/grants/policy/gps/8postnew.htm#grants>)  
OMBCircularA-110  
(<http://www.whitehouse.gov/WH/EOP/OMB/html/circulars/a110/a110.html>)

Exhibit 3  
page 4 of 5

### Chairs' Quick Guide for Oversight of Sponsored Proposals/Awards

- **PROPOSAL REVIEW.** The chairperson's signature indicates assurance that the proposed project is appropriate to be conducted within the department/institution; that the personnel are qualified to conduct the project; that adequate space is available, on or off campus, for the project; and that the budget is appropriate for the goals of the project.

- **SPECIAL PROPOSAL REQUIREMENTS.** If the proposal requires cost sharing or matching funds, renovations, special equipment or other special needs, the chairperson should determine whether the department can support the special requirements and identify the resource to support the special requirements.

- **CONFLICT OF INTEREST/COMMITMENT.** The chairperson assures that for any potential conflicts of interest are identified and addressed. Should conflicts arise, the chairperson should refer to the Institutional Conflict of Interest Policy.

- **PROGRAM INCOME.** The Department Chairperson provides oversight of program income within the department and assures that all the reporting requirements for program income have been met.

- **OUTSIDE INCOME.** Outside income greater than (20%) of base salary, should be reported to the Department Chairperson.

Ref:

DCIS: Faculty Handbook, secIII, part 28;  
Sponsored Research Manual, Office of Grants and Contracts Home page  
(<http://www.dartmouth.edu/admin/grants/>)  
OMB Circular A-110  
<http://www.whitehouse.gov/WH/EOP/OMB/html/circulars/a110/a110.html>  
National Institutes of Health Policy Guide,  
(<http://www.nih.gov/grants/policy/gps/8postnew.htm#grants>)

### The Dean's Quick Guide for Oversight of Sponsored Activities

• **PROPOSAL REVIEW.** The Dean assures that the project is within Dartmouth's mission and the budget is adequate relative to the scope of the project. The Dean has oversight for adherence to institutional compliance policies such as experimental use of animals, human subjects, hazardous substances, DNA research and other governing institutional policies and standards. The Dean should be informed of potential program income and the accounting for such income.

• **SPECIAL PROPOSAL REQUIREMENTS.** The Dean reviews requests for waiver of indirect costs (facilities and administration costs); renovation of space; providing matching or institutional funds(cost sharing); faculty release time; or other support and approve such commitments.

• **CONFLICT OF INTEREST/COMMITMENT.** The Dean should review proposals for any potential conflict of interest or conflict of commitment. If such a situation exists, the Dean should refer to the Dartmouth Conflict of Interest Policy. The Dean will have an oversight role where a conflict will be managed by Dartmouth as stated in Conflict of Interest policy. The Dean should refer to the Faculty Handbook for issues concerning Conflict of Commitment .

• **MISCONDUCT IN SCIENCE.** The appropriate Dean and Associate Provost are the first contacts to be made in reporting alleged misconduct. After receiving an allegation, they make a determination as to whether to proceed to the inquiry stage. The Deans play a critical role throughout the entire process and should be familiar with the Dartmouth's policy on Misconduct in Science.

Ref.:

DCIS: Faculty Handbook, secIII, part 28;  
~~Sponsored Research Manual, Office of Grants and Contracts Home page~~  
(<http://www.dartmouth.edu/admin/grants/>)

### III. Payroll Process (Continued)

8. Routing of Payroll Authorizations - Upon completion of the payroll authorization by the department, including authorized signatures, retain the orange copy for departmental files and then route the original payroll form plus remaining copies as follows:

- a. Department
- b. DMS Fiscal Office, Hinman 7050, Remsen 703
- c. Human Resources Office
- d. Payroll Office
- e. Grants and Contracts if 5 accounts involved.

Payroll authorizations on new hires should be submitted as soon as the department knows what the first date of employment will be. It is advantageous for all new employees to have their authorizations processed early--blitz mail is accessed and benefits are in place without a delay. If payroll authorizations for monthly employees do not reach the Fiscal Office at least two weeks prior to the end of the month, it will be the responsibility of the department to deliver the form to Human Resources.

### 9. Accounting/Budget Changes

a. Labor Distribution Form (blue) - This form may be used in place of a payroll authorization to reflect the transfer of effort from one account to another when the salary is unchanged.

b. Wage and TIAA Transfer - This form is used when retroactive adjustments are made and should accompany either the retroactive payroll authorization form or the Labor Account Distribution Change form. For example, if in November it is discovered the employee should have been paid on 5-31222 rather than 5-31221 as of July, this form is used to transfer the salary (and TIAA if an API or faculty) to the correct account for the past months. If this transfer pertains to an APII, the biweekly pay periods should be listed. Fringe benefits do not need to be shown in either case. They are automatically calculated through the HRS system.

### IV. Other Payroll Policies

#### 1. API/Faculty Offer Letters and Salary Increase Letters

The offices of Legal Affairs and Human Resources have advised that when offers of employment and salary increases are given to monthly paid individuals that the written confirmation of salary be stated as follows:

"Your salary for this position will be \$xxx paid monthly (\$xxxxx if annualized) to be reviewed for consideration for a merit increase on July 1, 199x."

This removes the assumption that the individual is 'vested' in the entire amount upon the date of hire.

**DARTMOUTH MEDICAL SCHOOL  
Payroll Authorizations  
& Related Forms**

**PA's**

ALL Payroll Authorization (PA) Forms for Dartmouth Medical School (DMS) Employees MUST be sent to [REDACTED] in the DMS Fiscal Office prior to Human Resources. Any PA arriving at HR without the appropriate Fiscal Office signature will be returned to [REDACTED] (via Hinman Mail) for signature.

The PA should be completed prior to the effective start date. Please do not attempt to "walk" a PA through the system, the PA cannot be processed effectively at the last minute.

**DOCUMENTATION**

If a PA is submitted early for e-mail set up, notation should be made on the bottom of the PA stating that the I-9 and W-4 will follow.

Foreign Citizens may prepare an I-9 with their supervisor, however they must bring their visa, Employment Authorization Document, Permanent Resident Alien card, I94, IAP66 or I20 to Payroll. Do not complete Form W-4 with your department; this will be completed with you in Payroll. For additional information or questions please contact the International Office.

New Permanent Staff Employees or Re-hires (includes all exempt and non-exempt, non-appointment positions). The following must be attached to the PA:

- Signed Recruitment Request Form (the original should have been sent to [REDACTED] in the DMS Dean's Office for appropriate signature, once signed a copy is returned to the department for attachment)
- I-9 (with appropriate documentation, i.e. social security card, license, passport)
- W-4

New Appointed Position or Re-hire (includes all faculty, research associates, clinical associates, post-doc fellows, lecturers and administrative associates)

- Copy of the offer letter
- I-9 (with appropriate documentation i.e. social security card, license, passport)
- W-4

Research Associates being promoted due to length of service do not require the above documentation.

New Temporary Employees (includes full or part time, exempt, non-exempt and students)

The following must be attached to the PA:

- I-9 (with appropriate documentation i.e. social security card, license, passport)
- W-4

DMS PA's and Related Forms  
Page 2

Terminations (routing is the same as above.) Be sure to attach a copy of the employee's resignation letter. Any regular exempt employee, who resigns with at least one month's written notice and actually works the entire notice period, is eligible for pay for unused vacation and the earned vacation credit toward the next fiscal year. Any regular non-exempt employee who resigns with at least two weeks written notice and actually works the entire notice period, is eligible for pay for unused vacation and the earned vacation credit toward the next fiscal year. Please include the number of unused vacation days that the employee is entitled to in the comment section of the PA. The effective date of the termination should always be the day after the last day worked. Employees' last day worked may not be a vacation day, personal day or any other type of leave.

## FORMS

Dartmouth College Regular Payroll Authorization (Green) must be signed by the Department Chair or designee. The department should keep the yellow copy and send all other copies to [REDACTED]

Dartmouth College Special Payment Payroll Authorization (Blue) is for one time payments or for a specific time period, i.e. July - Sept. This is not for sub codes .105 or .110 or any other permanent exempt employee unless approved by the Chief Operating Officer. The department should keep the yellow copy and send all other copies to [REDACTED]

PA's may be downloaded from the web. If you use the web form, complete one copy and send it to DMS Fiscal Office.

## WAGE & LABOR ACCOUNT DISTRIBUTION CHANGE & TRANSFERS

Only transfers for one employee and one position on each form. Amount should reflect labor amounts only, do not list fringe amounts. Send to [REDACTED] in the DMS Fiscal Office. The top portion of this form is for labor distribution changes only (change in account distribution). The bottom portion is for retroactive wage transfers only (transfer in actual wages from one account to another retroactively). Not every form will have both the top and bottom portion completed. This form may not be used to put through an increase in pay.

## COST TRANSFERS

This form is for "5" accounts only. For non "5" accounts, departments should post a journal entry to move costs inappropriately posted. Transferred costs cannot be more than 120 days old or you must call the appropriate Office of Sponsored Projects rep for prior approval. Send the form to [REDACTED] in the DMS Fiscal Office, keeping a copy for the department. After processing, the Fiscal Office will send to OSP.

Exhibit 5  
page 3 of 3  
DMS PA's and Related Forms  
Page 3

### LOA

Must be approved and signed by the Department Chair or designee. For appointed employees, send Kathie Hale a DAB request both at the start and end of the LOA. The effective date of the leave should be listed as the day after the employees' last work day. For exempt and faculty, please list remaining unused vacation in the comment section of the PA.

### FTE CHANGES – FACULTY

For faculty increasing their FTE to .5 or greater, please email Kathie Hale as this effects voting status. PA should be sent to the Lisa Arnold.

### PAY INCREASES

Any pay increase (outside of the normal annual process in July) will require approval by Kathy Byington. Please attach this approval to the PA.

Please refer to the Dartmouth College Exempt Staff Handbook and Non-Exempt Staff Handbook for additional information. Contact the Lisa Arnold at 650-1227 if you have questions or concerns.

### ADDRESSES:

██████████ (DMS Fiscal Office)  
██████████ (DMS Dean's Office)  
Office of Sponsored Projects  
Payroll

HB 7050  
HB 7060  
HB 6210  
HB 6161

### Effort Monitoring Key Personnel:

In monitoring the effort of key personnel on grants:

- When a payroll authorization (PA) is received by Grants and Contracts and the following subcodes are used 110,112,114,115, and 105; the green copy of the payroll authorization will be given to the grant specialist who monitors the grants for that department.
- The Specialist will then refer back to the budget/narrative of each grant account listed on the PA to ensure that the level of effort on the payroll authorization matches the level of effort proposed in the narrative of the grant.
- If the level of effort is significantly different (25% or more)\*, then the specialist will follow up with the department contact person (i.e., administrator or PI) for justification.
- This formula should be used to calculate any discrepancies because the math is figured on the effort percent not on the dollar amount. If John Snow's effort is proposed at 40% and goes to 30% for the entire budget period, it would need prior approval (i.e.  $40\% \times 25\% = 10\%$  actual change). Example was taken from NIH Grants Policy Statement page II-53.

### Salary Cap:

The new salary cap has now increased to \$125,900. When reviewing PA's, if you find a salary over cap, please use the attached example to calculate the salary amount that should be charged to the NIH grants. If the calculation is off, you will need to follow up with the department to have it corrected.

BUDGET JUSTIFICATION PAGE:  
MODULAR RESEARCH GRANT APPLICATION

Total Direct Costs for Entire Proposed Period of Support: \$900,000

Initial Budget Period	Second Year of Support	Third Year of Support	Fourth Year of Support	Fifth Year of Support
\$200,000	\$175,000	\$175,000	\$175,000	\$175,000

Personnel

[REDACTED], M.D., Ph.D., Principal Investigator (30% effort) will be responsible for the overall administration and direction of the project. He will analyze reaction of soluble IV9-HLA-A\*0201 complex with TCR on 68A62 anti-IV9CTL.

[REDACTED], (25% effort) will focus on investigating the ability of various SL9-specific CD8 CTL clones from various HIV infected individuals whose T-cell receptors bind with different strength to the cognate pepMHC complex (SL9-HLA-A\*0201) to suppress viral replication in HIV infected cells in vitro. In addition, Dr. Kalams will maintain initial preparation of the CTL clones and will characterize them on a regular basis to ensure maintenance of their initial quality

[REDACTED], Ph.D., Postdoctoral Fellow (100% effort) will be involved in all the measurement of SD50 and SD25 for RT- and gag-derived peptides required to induce various responses of anti-HIV CTL. Most of her effort will be direct towards measurement of the intervals of epitope densities on target cells required for various responses of anti-HIV CTL.

[REDACTED], Ph.D., Postdoctoral Fellow (100%) will be responsible for the isolation and characterization of recombinant MHC class I molecules using Drosophila Melanogaster and E.coli expression systems and measurement of kinetics and affinity of reactions between soluble complex of immunodominant peptide SL9 with HLA-A\*0201 soluble protein and TCR on various clones of live anti-SL9 CTL. [REDACTED] will also measure level of a,b-TCR and CD8 molecules on anti-SL9 CTL.

Equipment

Purchase of a Thermocycler (\$10,000) and HPLC Fraction Collector (\$15,000) is requested during the first year.

This will increase the requested budget for the first year by one module (\$25,000). The requested equipment is necessary for this project and will be used extensively to analyse IV9-HLA-A\*0201 complex.

Consortium

Approximately \$25,000 Total Costs per year

Consortium with the University of Virginia (X) Domestic ( ) Foreign

[REDACTED] h.D., will devote 10%. [REDACTED] will be responsible for establishing CTL clones from HIV-infected subjects, and propagating previously isolated CTL clones. [REDACTED] will also be responsible for planning and overseeing all functional cell assays.

[REDACTED], 50% Research Technologist will perform all CTL assays, proliferation assays, ELISA assays and assays designed to measure inhibition of HIV-1 replication by virus-specific CTL clones.

BUDGET JUSTIFICATION PAGE:  
MODULAR RESEARCH GRANT APPLICATION

Total Direct Costs for Entire Proposed Period of Support: \$750,000

Initial Budget Period	Second Year of Support	Third Year of Support	Fourth Year of Support	Fifth Year of Support
\$150,000	\$150,000	\$150,000	\$150,000	\$150,000

Personnel

[REDACTED], M.D., Principal Investigator, (30% effort) will be responsible for morphological and immunohistochemical characterization of eye, brain, and other tumors arising in transgenic retinoblastomas and uveal melanomas as well as the study of cell death in the HPV E6 and E7 models.

[REDACTED] Ph.D., Co-investigator, (10% effort) will develop the HPV E6 and E7 models of transgenic retinoblastoma mice and will determine the cellular genes responsible for the retinoblastoma in animal models.

[REDACTED] n, Ph.D., Statistician, (5% effort) will assist with experimental design by performing sample size calculations. He will analyze data on new models of transgenic mice as well as data from Vitamin D and virus treatment studies.

[REDACTED] M.S., Research Assistant, (100% effort) is responsible for the Lh<sup>+</sup>-Tag mouse colony under the direction of the PI. She will maintain a breeding program to ensure adequate numbers of transgene-bearing animals. She will perform DNA extractions and PCR.

Consortium

Approximately \$15,000 Total Costs for all years.

Consortium with the University of Texas     Domestic     Foreign

[REDACTED] Ph.D., (5% effort) will be responsible for production and molecular biological characterization of transgenic mice expressing N-myc proto-oncogene in photoreceptor cells. He will provide lines of transgenic mice developing melanoma due to targeted expression of SV40-T antigen.

## SALARY LIMITATION ON GRANTS, COOPERATIVE AGREEMENTS AND CONTRACTS

Release Date: December 22, 1998

National Institutes of Health

The purpose of this notice is to provide updated information regarding the salary limitation as it relates to NIH grant and cooperative agreement awards. This information also applies to extramural research and development contract awards. The last notice in the NIH Guide for Grants and Contracts regarding the salary limitation was published February 12, 1998.

Fiscal Year (FY) 1999 is the tenth consecutive year for which there is a legislatively mandated provision for the limitation of salary. Specifically, the Department of Health and Human Services (HHS) Appropriation Act for FY 1999, Public Law 105-277, restricts the amount of direct salary of an individual under a grant or cooperative agreement (hereafter referred to as a grant) or applicable contract to Executive Level III of the Federal Executive Pay Scale. That rate is currently \$125,900 which reflects a \$900 increase over the FY 1998 salary limit. Direct salary is exclusive of fringe benefits and indirect costs/general and administrative expenses. NIH will apply the limitation to all competing awards made with FY 1999 funds. Therefore, NIH grant awards for applications that request direct salaries of individuals in excess of a RATE of \$125,900 per year will be adjusted in accordance with the legislative salary limitation and will include a notification such as the following:

According to the HHS Appropriations Act, "None of the funds appropriated in this title for the National Institutes of Health and the Substance Abuse and Mental Health Services Administration shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level III of the Federal Executive Pay Scale."

The term "salary" has been interpreted by HHS Legal Counsel to mean "direct salary", which is exclusive of fringe benefits and indirect costs/general and administrative expenses. "Direct salary" has the same meaning as the term "institutional base salary". An individual's institutional base salary is the annual compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties to the applicant organization.

The following are examples of the adjustments that NIH will make when salaries exceed the limitation:

### EXAMPLE 1. INDIVIDUAL WITH FULL-TIME APPOINTMENT.

Individual's institutional base salary for a  
FULL-TIME (twelve month) appointment

\$150,000

Research effort requested in application/proposal 50%

Direct Salary requested	\$75,000
Fringe benefits requested (25% of salary)	\$18,750
Subtotal	\$93,750

Applicant organization's indirect costs at a rate of 45% of subtotal	\$42,188
--	----------

Amount requested - salary plus fringe benefits plus associated indirect costs	\$135,938
---	-----------

If a grant/contract is to be funded, the amount included in the award for the above individual will be calculated as follows:

Direct salary - restricted to a RATE of \$125,900 multiplied by effort (50%) to be devoted to project	\$62,950
Fringe benefits (25% of allowable salary)	\$15,738
Subtotal	\$78,688

Associated indirect costs at 45% of subtotal	\$35,410
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Total amount to be awarded due to salary limitation	\$114,098
---	-----------

Amount of reduction due to salary limitation (\$135,938 requested minus \$114,01998 awarded)	\$21,840
--	----------

EXAMPLE 2. INDIVIDUAL WITH HALF-TIME APPOINTMENT.

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Individual's institutional base salary for a HALF-TIME appointment (50% of a full-time twelve month appointment)	\$65,000
--	----------

Research effort requested in application/proposal 30%

Direct Salary requested	\$19,500
Fringe benefits requested (25% of salary)	\$ 4,875
Subtotal	\$24,375

Applicant organization's indirect costs at a rate of 45% of subtotal	\$10,969
--	----------

Amount requested - salary plus fringe benefits plus associated indirect costs	\$35,344
---	----------

If a grant/contract is to be funded, the amount included in the award for the above individual will be calculated as follows:

Direct salary - restricted to a RATE of \$125,900	
---	--

'multiplied by 50% appointment by 30% effort to be devoted to project	\$18,885
Fringe benefits (25% of allowable salary)	\$ 4,721
Subtotal	\$23,606

Associated indirect costs at 45% of subtotal	\$10,623
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Total amount to be awarded due to salary limitation	\$34,229
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Amount of reduction due to salary limitation \$35,344 requested minus \$34,229 awarded)	\$ 1,115
--	----------

**Other important points relating to NIH grants only are:**

- o No adjustments will be made to previously established commitment levels for non-competing awards issued with FY 1999 funds.
- o NIH competing grant awards issued in FY 1999 will reflect adjustments to all years of a project, including future years, so that no funds are awarded or committed for salaries over the limitation.

**Other important points relating to both NIH grants and contracts are:**

- o Awards issued with FY 1998 funds are still restricted to the \$125,000 rate of pay.
- o An individual's base salary, per se, is NOT constrained by the legislative provision for the limitation of salary. The rate limitation simply limits the amount that may be awarded and charged to NIH grant and applicable contract awards. An institution may supplement an individual's salary with non-federal funds.
- o The salary limitation does NOT apply to payments made to consultants under an NIH grant or contract although, as with all costs, such payments must meet the test of reasonableness.
- o The salary limitation provision DOES apply to those subawards/subcontracts for substantive work under an NIH grant or contract.
- o COMPETING applications submitted to the NIH should continue to reflect the institutional base salary of all individuals for whom reimbursement is requested. NIH staff will make necessary adjustments to requested salaries prior to award.

**INQUIRIES**

Questions concerning this notice or other policies relating to grants or contracts should be directed to the grants management or contracts management offices in the NIH institutes or centers.



DEPARTMENT OF HEALTH & HUMAN SERVICES

DARTMOUTH COLLEGE  
OFFICE OF SPONSORED PROJECTS

Program Support Center  
Financial Management Service  
Division of Cost Allocation

JUL 1 1 2005

RECEIVED

Cohen Building-Room 1067  
330 Independence Avenue, S.W.  
Washington, DC 20201  
PHONE: (202)-401-2808  
FAX: (202)-619-3379

July 1, 2005

[REDACTED]  
Director, Office of Sponsored Projects  
Dartmouth College  
11 Rope Ferry Road #6210  
Hanover, NH 03755-1404

Dear Ms. Wray:

This is in response to your recent letter which transmitted the revised Cost Accounting Standards Board (CASB) Disclosure Statement (DS-2) for Dartmouth College. We have reviewed the DS-2 based on the results of the Defense Contract Audit Agency's Report Numbers 0271-2004M19100001 and 0271-2004M19200001 on the adequacy and compliance of the College's disclosure statement.

As the Administrative Contracting Officer (ACO), I am required to determine the adequacy and compliance of submitted DS-2s. In accordance with CASB procedures, the ACO decision will be based on recommendations issued by the cognizant agency auditor. Based on our review and consultation with audit staff, we have determined that your DS-2 adequately discloses the cost accounting practices required to be disclosed by CASB's rules, regulations, and standards, and that those practices are compliant with applicable Federal cost accounting principles.

Should you have any questions, please contact [REDACTED] of my staff on (202) 260-2381.

Sincerely,

[REDACTED]  
National Director  
Division of Cost Allocation

Please note that this checklist is a tool for assisting in correctly preparing a NIH 398 grant application, prior to OSP review. This will cover new, competing, and revised applications. Please feel free to contact your Proposal Development Coordinator with any questions regarding the NIH proposal you may have in advance of submitting the proposal for OSP review.

Institutional Profile can be found at: <http://www.dartmouth.edu/~osp/resources/profile.html>

**NIH requires the use of Arial, Helvetica, Palatino Linotype or Georgia typeface and a font size of 11 points or larger.**

**Face Page:**

*\*Please contact your proposal coordinator if you do not have the most current NIH PHS 398 face page template, which has all institutional information completed.*

- Title should not exceed 81 characters.
- If in response to a PA or RFA, Item 2 should indicate the PA or RFA number and title
- Is "New Investigator" checked correctly?
- Section 3d. should reflect the principal investigator's mailing address, while all other address fields (9, 12 and 13) should reflect the institution's address (see Institutional Profile)
- Section 3.f should be either School of Medicine or Dartmouth Medical School.  
If non Medical School, please use Arts and Sciences or Thayer School of Engineering.
- Section 3h. Enter your assigned eRA Commons User Name (currently optional)
- If Item 4 is marked "Yes", sections 4.a, 4.b, 4.c, and 4.d must be completed
- Section 4b. Human Assurance number is FWA00003095
- If Item 5 is marked "Yes", section 5.a should state either "Pending" or date of approval
- Section 5.b Animal Welfare Assurance number is A3259-01
- Section 11. Entity Identification Number: 1-020222111-A3  
DUNS Number: 04-102-7822  
Congressional District : 2<sup>nd</sup>
- Did the Principal Investigator date and sign this page?

**Form Page 2:** This includes the Abstract, Performance Sites, Key Personnel, Other Significant Contributors, and Stem Cells.

**Abstract:** Text should not exceed the space provided and the box size should not be adjusted.

Did you include two or three sentences describing in plain, lay language the relevance of this research to public health?

**Performance Site(s):**

Are all institutions involved listed under the performance sites?

**Key Personnel:** Note: eRA Commons User Name is not required.

The PHS 398 defines Key Personnel as, "In addition to the principal investigator, Key Personnel are defined as individuals who contribute to the scientific development or execution of the project in a substantive, measurable way, whether or not salaries are requested. Typically, these individuals have doctoral or other professional degrees, although individuals at the masters or baccalaureate level should be included if their involvement meets the definition of Key Personnel. Consultants should also be included if they meet the definition of Key Personnel. Key Personnel must devote measurable effort to the project whether or not salaries are requested—"zero percent" effort or "as needed" are not acceptable levels for those designated as Key Personnel."

Do all members listed as key personnel fit this definition?

**Other Significant Contributors:**

This category identifies individuals who have committed to contribute to the scientific development or execution of the project, but are not committing any specified measurable effort to the projects. These individuals are typically presented at "zero percent" effort or "as needed" (individuals with measurable effort cannot be listed as Other Significant Contributors). Consultants should be included if they meet this definition. This would also be an appropriate designation for mentors on Career awards.  
*(Biographical sketches will be required for these individuals; other support information will not be required)*

**Human Embryonic Stem Cells:**

YES or NO should be checked.

**DETAILED Budget Applications:**

- Is the fringe rate used correct?
- Is the salary cap correct?
- Is the stipend amount correct?
- Make sure that equipment is listed as \$2,500 and over. If it is less, it should be put in supplies.
- Are all expenses allowable?
- If there are human subjects- has the IRB fee been added under "Other" for year one?

**Budget Justification:**

Check the justification to be sure it is consistent with detailed budget page "i.e. % effort with or without salary, item costs, etc"

- Are all items justified?
- Did you mention what the inflation amount is for the out years?

**Consortium:**

- Statement of work
- Initial year budget and entire project budget page
- Budget Justification
- Checklist Form page
- Signed NIH Face Page from consortium site or a Statement of Intent signed by Institutional Official at consortium site on consortium letterhead.

**MODULAR Budget Applications:**

- All personnel need to be justified in the budget justification, with % effort and roles on project
- Modular grants are developed in blocks or modules using increments of \$25,000
- On Modular Grants, budget dollars are rounded up to the next \$25,000 module
- If an annual amount differs between years, there needs to be a justification for the annual module that is different than the other years

**Consortium:**

- On the prime budget justification page, consortium costs are rounded to the nearest \$1000. The institution and personnel at the collaborating institution (including effort and roles on the project) should be shown.
- Statement of work
- Signed NIH Face Page from consortium site or a Statement of Intent signed by Institutional Official at consortium site on consortium letterhead.

---

**Research Plan:**

Introduction to Revised Application *(Not to exceed 3 pages)*

Introduction to Supplemental Application *(Not to exceed one page)*

A. Specific Aims

B. Background and Significance

C. Preliminary Studies/Progress Report

D. Research Design and Methods

(Items A-D: not to exceed 25 pages\*)

Did you check the page limitations as specified in PAs and RFAs?

I. Resource Sharing

Have you included a data sharing plan for applications seeking \$500,000 or more in direct costs in any year?

J. Letters of Support( e.g., Consultants)

Have you included letters of support?

---

**NIH Checklist Page:**

Did you check the appropriate box for the type of Application?

Did you complete Inventions and Patents if this is a Competing application or Phase II?

DHHS Agreement date: This can be found on the Institutional Profile.

Should the indirect rate change during a budget year, please remember to prorate.

Is there a subcontract? We only charge IDC on the first \$25,000 for each subcontract.

Make sure that equipment, tuition and patient care expenses are deducted from the base prior to calculation.

**Helpful Links:**

NIH PHS 398 Application – Forms and Instructions: [Instructions for PHS 398](#)  
Grants Policy Statement: [http://grants1.nih.gov/grants/policy/niheps\\_2003/index.htm](http://grants1.nih.gov/grants/policy/niheps_2003/index.htm)



## Dartmouth College

Office of Sponsored Projects  
11 Rope Ferry Road #6210  
Hanover, NH 03755-1404

TELEPHONE: (603) 646-3007

FAX: (603) 646-3670

EMAIL: sponsored.projects@dartmouth.edu

Name of Subrecipient's Institution: \_\_\_\_\_

Address: \_\_\_\_\_

Administrative Contact: \_\_\_\_\_

Email: \_\_\_\_\_ Tel. Number: \_\_\_\_\_ Fax: \_\_\_\_\_

### Subrecipient Information Sheet

- 1) What is the classification for Subrecipient: Large business, Small business, Small disadvantaged business, Women-owned, Individual, Veteran-owned, Historically Underutilized Business Zone, Historically Black Coll/Univ, Minority owned, Tribal, Government entity?
- 2) What is the Subrecipients fiscal year? From \_\_\_\_\_ to \_\_\_\_\_
- 3) Does the Subrecipient have a negotiated Federal facilities and administrative rate (IDC)? Y or N, If yes, please attach a copy of your current rate agreement. If no, please provide the documentation to substantiate the proposed rate (i.e., breakdown of rate components).
- 4) Does the Subrecipient have a designated Federal cognizant audit agency? Y or N  
If yes, please provide the name of the agency: \_\_\_\_\_
- 5) Does your institution have a financial management system that can identify the source and application of funds for award supported activities?
- 6) Does Subrecipient have a formal written personnel policy that addresses:  

___ Yes ___ No	Pay Rates and Benefits
___ Yes ___ No	Time and Attendance
___ Yes ___ No	Leave
___ Yes ___ No	Discrimination
___ Yes ___ No	Conflict of Interest
- 7) Does Subrecipient have a formal written travel policy? \_\_\_ Yes \_\_\_ No

- 8) Does Subrecipient have a formal written purchasing procedure? \_\_\_ Yes \_\_\_ No
- 9) Does Subrecipient maintain an inventory for government property that identifies purchase date, cost, vendor, description, serial number, location and ultimate disposition data? \_\_\_ Yes \_\_\_ No
- 10) Is Subrecipient required to comply with OMB Circular A133? Y or N? If no please answer questions 11-13.
- 11) Does Subrecipient have annual financial statements that have been audited by an independent audit firm? If yes, please provide a copy of the statements for the most current fiscal year.
- 12) Does your institution's financial management system provide for the control and accountability of project funds, property, and other assets?
- 
- 13) Do you agree to adhere to CASB regulations under the proposed subcontract (FAR Part 30)?

Please have an Authorized Organizational Representative sign to verify the accuracy of this completed questionnaire.

Name: \_\_\_\_\_  
Please print: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Please Submit the completed Subrecipient Information Sheet and the Subrecipient's most recent Audit to:

██████████  
Subaward Coordinator  
Office of Sponsored Projects  
Dartmouth College  
11 Rope Ferry Road, #6210  
Hanover, NH 03755-1404