

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF LAST QUARTER GRANT  
EXPENDITURES AT TUFTS UNIVERSITY**



**JUNE GIBBS BROWN**  
Inspector General

**SEPTEMBER 1998**  
A-01-98-04004

# ***OFFICE OF INSPECTOR GENERAL***

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# *NOTICES*

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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. Final determination on these matters will be made by authorized officials of the HHS divisions.





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SEP 24 1998

CIN:A-0 1-98-04004

Mr. Robert Gawlak  
Senior Manager, Sponsored Programs Accounting  
Tufts University  
136 Harrison Avenue  
Boston, MA 02111

Dear Mr. Gawlak:

This report presents the results of our audit of last quarter grant expenditures at Tufts University (University). The objective of this audit was to determine whether the last quarter grant expenditures are reasonable and allowable in accordance with the Office of Management and Budget (OMB) Circular A-2 1, *Cost Principles for Educational Institutions*, and other applicable regulations governing the grants.

We found that the expenditures reviewed, relating to the selected grants, were reasonable and allowable. We reviewed 65 transactions charged, during the last quarter of the grants, to ten judgmentally selected grants. The 65 transactions represented expenditures which were classified as equipment, supplies, travel, or other direct non-labor costs. We found that the selected transactions represented expenditures which were necessary for the performance of the grant or contract.

## INTRODUCTION

### BACKGROUND

The University is a not-for-profit institution committed to education and research. The University, with approximately 8,000 students attending undergraduate and graduate programs, occupies three campuses: Boston, Medford/Somerville, and Grafton, Massachusetts. In its fiscal year (FY) ended June 30, 1997, the University had over 700 active Federal grants with expenditures totaling \$62 million. The University expended approximately \$48 million on Federally sponsored research projects. Based on data provided by the University, over \$1.8 million were expended during the last quarter of the 96 Federal grants which ended in FY 1997. Of that amount, approximately \$539,892 was spent on non-labor direct costs: \$14,847 for equipment, \$26,032 for travel, \$271,207 for supplies, and \$227,806 for other non-labor direct costs.

The allowability of costs incurred by institutions of higher education is determined in accordance with the provisions of the OMB Circular A-21. *Cost Principles for Educational Institutions*. The OMB Circular A-21, Part C.2, provides the general criteria for determining the allowability of costs as: (a) they must be reasonable; (b) they must be allocable to sponsored agreements; (c) they must be given consistent treatment; and (d) they must conform to any limitations or exclusions set forth in the cost principles or in the sponsored agreements as to types or amounts of costs items. Parts C.3 and C.4 of this Circular further define the requirements for determining the reasonableness and allocability, respectively, of costs incurred under sponsored agreements.

## **OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this audit was to determine whether expenditures incurred in the last quarter of Federal grants were reasonable and allowable in accordance with the OMB Circular A-21. Specifically, we determined whether grant expenditures for equipment, travel, supplies and other non-labor direct costs were incurred for the stated grant purpose in compliance with these regulations.

Our audit covered the period July 1, 1996 through June 30, 1997. Our audit was limited to reviewing transactions selected from Federal grants ending in FY 1997, with either high dollar total expenditures incurred in the last quarter of the project period or significant expenditures in expense categories of equipment, supplies, travel or other non-labor direct costs. To accomplish our objective, we:

- ◆ Reviewed policies and procedures pertaining to the University's cost transfers and business expense policies;
- ◆ Obtained an understanding of the University accounting system/general ledger and reporting practices through discussions with University officials;
- ◆ Reviewed the University's FY 1996 and 1997 audit reports issued in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Institutions*;
- ◆ Obtained a listing of all Federal grants that ended in FY 1997 and reconciled the listing to the sponsored programs subsidiary ledger and the FY 1997 A-133 audit report;
- ◆ Analyzed the monthly expenditure reports for the last quarter of each of the grants ending in FY 1997, and computed last quarter expenses in total, and by expense category;

- ◆ Judgementally selected for review ten accounts with either high dollar total last quarter expenses or specific high dollar expenditures for equipment, travel, supplies, and other non-labor direct costs in the last quarter;
- ◆ Selected 65 transactions from these ten accounts and reviewed source documentation; and
- ◆ Reviewed grant proposal files for selected accounts and compared budget to actual expenses and interviewed Principal Investigators to understand the nature of selected grants and justification for selected expense items.

We conducted our audit in accordance with generally accepted government auditing standards. We performed field work at Tufts University in Boston, Massachusetts from July through August 1998, and discussed the results of our audit with University officials on August 28, 1998.

### RESULTS OF AUDIT

We found that the last quarter expenditures reviewed, relating to the selected grants, were reasonable and allowable in accordance with OMB Circular A-2 1. The policies and procedures pertaining to cost transfers and business expenses contributed to the University charging only those expenses which were reasonable and allowable to the selected grants. In addition, we determined that the selected expenditures were necessary for the performance of the award. The following table identifies the nature and dollar value of the transactions selected for review:

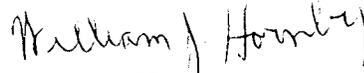
<b>Summary of Transaction Testing for the 96 Grants Ending in FY 1997</b>				
<b>Type of Expense</b>	<b>Number of Transactions Reviewed</b>	<b>Value of Transactions Reviewed</b>	<b>Totals for the 96 Grants Ending in FY 1997</b>	<b>Percentage Reviewed for 96 Grants Ending in FY 1997</b>
Equipment	8	\$ 12,609	\$ 14,847	8.5
Travel	3	5,443	26,032	21
Supplies	45	93,563	271,207	34
Other	9	52,914	227,806	23
<b>Totals</b>	<b>65</b>	<b>\$164,529</b>	<b>\$539,892</b>	<b>30</b>

We concluded our audit as we found that the selected last quarter expenditures were necessary for the performance of the award as well as reasonable and allowable in accordance with OMB Circular A-2 1.

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If you have any questions or comments, please address them to the action official named below. Please refer to Common Identification Number A-01 -98-04004 in all correspondence to this report.

Sincerely,

A handwritten signature in black ink that reads "William J. Hornby". The signature is written in a cursive style with a large initial "W".

William J. Hornby  
Regional Inspector General  
for Audit Services

HHS Action Official:

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