

**Memorandum**

Date DEC 22 1993

From June Gibbs Brown  
Inspector General *June Gibbs Brown*

Subject Public Health Service Contract Pre-Award Audits Issued During  
Fiscal Year 1992 (A-02-93-02517)

To Philip R. Lee, M.D.  
Assistant Secretary for Health

Attached for your information is our final report summarizing 89 contract pre-award audit reports issued by the Office of Audit Services (OAS) during Fiscal Year (FY) 1992. The purpose of this report is to provide the Office of the Assistant Secretary for Health with an overview of the pre-award audit reports issued by OAS during FY 1992, and the actions taken by the responsible Public Health Service (PHS) agencies in awarding funds to contractors. The primary objectives of our pre-award audits were to express an opinion on the reasonableness, allocability, and allowability of proposed costs made by offerors, and to determine whether their accounting and administrative systems were adequate for accumulating and segregating costs under a Government cost reimbursement type award.

Our examination indicated that a majority of the proposals we reviewed contained projected costs which were overstated by approximately \$33 million. We also found that, for those pre-award reports resolved, PHS continues to sustain a significant amount of the findings of overstated or otherwise unreasonable costs. Where proposals were eventually awarded, PHS concurred in about \$1.1 million of recommended audit adjustments and reduced funding by about \$4 million because of costs set aside (i.e., we could not render an opinion) by our audits. Regarding the proposals PHS decided not to fund, there were \$3.1 million in recommended audit adjustments and \$7.7 million in costs set aside (see Appendix B, page 1, of the attached report). The remaining \$17.1 million is comprised of \$8.7 million in costs subsequently justified by supporting documentation or other evidence of allowability or reasonableness, and \$8.4 million in reports awaiting audit resolution (see Appendix B, page 2, of the attached report).

Current Federal Acquisition Regulations provide that contracting officers shall request pre-award audits from the cognizant audit agency before negotiating any contracts or modifications for proposals that exceed \$500,000 unless information available is considered adequate to determine the reasonableness of proposed costs or prices.

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We believe that the pre-award review process continues to be beneficial to PHS. We plan to continue to work with your staff in a cooperative effort to ensure that proposed expenditures are appropriate and that contractor accounting and administrative systems are adequate to properly account for and safeguard PHS funds.

To facilitate identification, please refer to Common Identification Number A-02-93-02517 in all correspondence relating to this report. If you have questions, please call me or have your staff contact Daniel W. Blades, Assistant Inspector General for Public Health Service Audits, at (301)443-3582.

Attachment

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**PUBLIC HEALTH SERVICE CONTRACT  
PRE-AWARD AUDITS ISSUED DURING  
FISCAL YEAR 1992**



**DECEMBER 1993    A-02-93-02517**

**Memorandum**

Date . DEC 22 1993

From June Gibbs Brown  
Inspector General *June G Brown*

Subject Public Health Service Contract Pre-Award Audits Issued During  
Fiscal Year 1992 (A-02-93-02517)

To Philip R. Lee, M.D.  
Assistant Secretary for Health

This report provides you with a summary of the results of 89 contract pre-award audit reports completed for the Public Health Service (PHS) operating divisions (OPDIV) by the Office of Audit Services (OAS) in Fiscal Year (FY) 1992. The purpose of this report is to provide the Office of the Assistant Secretary for Health (OASH) with an overview of the pre-award audit reports issued by OAS during FY 1992, and the actions taken by the responsible PHS agencies in awarding funds to contractors. The primary objectives of our pre-award audits were to express an opinion on the reasonableness, allocability, and allowability of proposed costs made by offerors, and to determine whether their accounting and administrative systems were adequate for accumulating and segregating costs under a Government cost reimbursement type award.

In FY 1992, there were over 12,000 PHS contract actions for contracts totaling over \$2.1 billion. Our pre-award audits were conducted in response to requests received from the following PHS agencies: the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA)<sup>1</sup>; the Centers for Disease Control and Prevention (CDC); the Health Resources and Services Administration (HRSA); the Food and Drug Administration (FDA); the Indian Health Service (IHS); and the National Institutes of Health (NIH). We attempted to limit our reviews to proposals that exceeded \$500,000. In some cases, proposals below that amount were reviewed when requested by contracting officials. In FY 1992, PHS awarded about \$1.5 billion under 995 contract actions involving proposals in excess of \$500,000:

Based on requests made by PHS agencies, OAS issued 89 pre-award audit reports in FY 1992, covering proposed costs for awards that totaled approximately \$238 million. Our examination of the 89 reports indicated that a majority of the proposals we reviewed contained overstated projected costs.

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<sup>1</sup> Effective October 1, 1992, ADAMHA underwent a reorganization and was renamed the Substance Abuse and Mental Health Services Administration.

Specifically, the reports included recommended adjustments totaling about \$7.9 million and set asides (i.e., we could not render an opinion) totaling another \$25.1 million in proposed costs (see Appendix C, page 1). Thus, in total we questioned the reasonableness of about \$33 million, or 14 percent of the \$238 million reviewed, and accepted (considered reasonable) about \$205 million. The percentage of proposed costs recommended for adjustment or set aside for FY 1992 represented a 46 percent decrease from the amount (26 percent) of proposed costs found unreasonable in our FY 1991 reviews.

Although budget restrictions limited available resources for conducting a larger number of pre-award audits, our goal was to perform as many pre-award reviews as our resources permitted to assist PHS in reducing excessive awards and ensure better management of scarce Federal resources.

#### BACKGROUND

This is the fourth report issued by OAS summarizing PHS contract pre-award audits. Our last report entitled, "Public Health Service Contract Pre-Award Audits Issued During Fiscal Year 1991 (A-02-92-02518)," was issued in December 1992. In FY 1992, 6 PHS agencies and OASH awarded over \$2.1 billion for over 12,000 contract actions to procure research; program services; supplies and equipment; construction; and other miscellaneous projects (see Appendix A). The PHS agencies requested OAS to perform pre-award audits on 89 contracts related to research and service type proposals. We finalized these requests during FY 1992, and reviewed about \$238 million.

There were 995 PHS contract actions in excess of \$500,000 totaling about \$1.5 billion in funding (see Appendix D). Eighty-one of the 89 contracts we reviewed exceeded \$500,000 and totaled about \$235 million. Pre-award audits for the 81 contracts were requested in accordance with Federal Acquisition Regulations (Chapter I, section 15.805-5(a)(1) of Title 48 of the Code of Federal Regulations). These regulations stipulate that when cost or pricing data are required, contracting officers shall request a field pricing report (i.e., pre-award audit) from the cognizant audit agency before negotiating any contracts or modifications from proposals that exceed \$500,000. The contracting officers are not obligated to request field pricing reviews if information available to them is considered adequate to determine the reasonableness of the proposed costs or prices.

SCOPE AND METHODOLOGY

The purpose of this report is to provide OASH with an overview of the pre-award audit reports issued by OAS during FY 1992, and the actions taken by the responsible PHS agencies in awarding funds to the contractors. In compiling this report, we requested information from all OAS regional offices and PHS audit resolution offices.

The pre-award reviews were conducted primarily by OAS' regional offices throughout their respective geographic areas with assistance from the Defense Contract Audit Agency. Each OAS region coordinated the audit work with the responsible PHS agency and provided them with verbal results of the pre-award reviews to ensure that OPDIVs received the information in time to conduct their negotiations. Subsequently, written reports of the results of the pre-award reviews were issued to the OPDIVs under separate Common Identification Numbers (CIN).

All the pre-award reviews were made in accordance with generally accepted government auditing standards. In performing each review, we conducted such tests and other auditing procedures considered necessary to determine if the offeror's accounting system and related internal controls were adequate to ensure the proper administration of a prospective award. The audits evaluated the propriety of the budgets proposed by the offerors but not the technical aspects of the proposals.

PRE-AWARD REVIEWS IDENTIFY \$33 MILLION  
IN COSTS NOT ACCEPTED

Our analysis of the 89 pre-award audit reports issued in FY 1992 disclosed that \$33 million of \$238 million in proposed costs were considered unacceptable by OAS. These unallowable/questioned costs primarily resulted from overstatements in proposed labor, fringe benefits, and other than personnel service (OTPS) costs, or a lack of supporting documentation overall. The costs in question consisted of two types: recommended audit adjustments and costs we could not render an opinion on (set aside). Recommended audit adjustments resulted when auditors identified costs that were determined to be unallowable, unreasonable, or not properly allocated. Set asides resulted when data was not available or sufficient to make such determinations. Regarding the latter, we recommended that the reasonableness of such costs be adjudicated by the awarding OPDIVs.

Our review showed that 80 reports issued by OAS contained recommended financial audit adjustments and costs set aside, while 9 reports found all the proposed costs to be acceptable.

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The 80 reports included \$7.9 million in recommended financial adjustments and \$25.1 million in proposed costs set aside (see Appendix C, page 1).

The \$7.9 million in recommended financial audit adjustments included nearly \$3.4 million in direct labor costs and applicable fringe benefits, \$2.1 million in OTPS costs, and \$2.4 million in indirect costs. The \$25.1 million in costs set aside included \$4.8 million in direct labor costs and applicable fringe benefits, \$17.4 million in OTPS costs, and \$2.9 million in indirect costs. Costs are usually set aside when supporting documentation is not available.

#### PRE-AWARD REVIEWS RESULTED IN COST SAVINGS

Our review of records concerning the resolution of the audited proposals negotiated by OPDIVs disclosed that PHS sustained many of our recommended findings and, in some cases, did not make awards to the offerors. As of September 1993, PHS had completed negotiations on 64 of 89 audited proposals. This resulted in the resolution of approximately \$24.6 million of \$33 million originally identified as total recommended adjustments and costs set aside (see Appendix C, page 1). The resolved amount of \$24.6 million is comprised of \$15.9 million in costs savings and \$8.7 million in costs subsequently justified by supporting documentation, or other evidence of allowability or reasonableness (see Appendix B, pages 1 and 2, respectively).

The \$15.9 million in cost savings includes:

- o \$4.2 million in recommended adjustments, which is comprised of \$1.1 million where offerors concurred and contract proposals were reduced and \$3.1 million which was related to proposals PHS decided not to fund (see Appendix B, page 1).

While the resolution documents we reviewed did not specifically indicate that prospective contractors were denied funding because of our recommendations, we believe our audits had a considerable effect on these decisions.

- o \$11.7 million in costs set aside which involved \$4 million where contract proposals were reduced before the award was made and an additional \$7.7 million where PHS did not fund contracts (see Appendix B, page 1).

CONCLUSION

The results of our analysis demonstrate, in our opinion, the value of on-site reviews of contract proposals by auditors. Our summary of FY 1992 pre-award reviews performed by OAS and our analysis of OPDIVs' subsequent negotiating actions, demonstrate again that offerors, in many instances, are overstating and poorly documenting proposed costs. Our examination of several negotiation agreements indicated that OPDIVs continue to consider the results of our audits as a fundamental part of the award process, and we believe the pre-award review process continues to be beneficial to PHS.

Although budget restrictions have limited the resources we have available to perform a larger number of pre-award audits, we plan to continue to work with your staff in a cooperative effort to ensure that proposed expenditures are appropriate. In an attempt to improve the efficiency with which we perform pre-award audits and to reduce associated costs, we have been conducting a pilot project related to contracts awarded to selected universities.

The pilot project involves the use of a Proposal Guidance Book which ensures that the necessary documentation has been gathered by the offeror to support a pricing proposal. This data will be forwarded to the auditors and should minimize the amount of time required to be spent on-site doing pricing analysis work. This process should save in travel costs and audit resources and help us to maintain an effective level of effort in this area. If the pilot project proves successful, we plan to work with your staff to have the Proposal Guidance Book used by all prospective contractors with proposals in excess of \$500,000.

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To facilitate identification, please refer to CIN A-02-93-02517 in all correspondence relating to this report. If you have questions, please call me or have your staff contact Daniel W. Blades, Assistant Inspector General for Public Health Service Audits, at (301)443-3582.

# APPENDICES

**APPENDIX A**

**FISCAL YEAR 1992 PRE-AWARD REVIEWS SUMMARY REPORT**  
**SCHEDULE OF FY 1992 PHS CONTRACT ACTIONS**  
**COMMON IDENTIFICATION NUMBER A-02-93-02517**

**CONTRACT ACTIONS AND PREAWARD  
REVIEWS COMPLETED - BY AGENCY:**

AGENCY	CONTRACT ACTIONS*		REVIEWS COMPLETED	
	NUMBER	DOLLARS	**NUMBER	DOLLARS
ADAMHA	698	\$176.4	7	\$18.6
CDC	954	142.9	6	40.4
FDA	527	68.5	2	4.3
HRSA	319	41.5	3	3.0
IHS	4,872	601.2	1	2.5
NIH	4,034	1,007.3	70	168.8
OASH	631	111.0	0	0.0
<b>TOTALS</b>	<b>12,035</b>	<b>\$2,148.8</b>	<b>89</b>	<b>\$237.6</b>

**CONTRACTS ACTIONS AND PRE-AWARD  
REVIEWS COMPLETED - BY MAJOR CATEGORY:**

CATEGORY TYPE	CONTRACT ACTIONS*		REVIEWS COMPLETED	
	NUMBER	DOLLARS	**NUMBER	DOLLARS
RESEARCH	3,027	\$720.6	77	\$189.2
TRAINING	0	0.0	0	0.0
SERVICES	7,323	1,181.7	12	48.4
BLOCK	0	0.0	0	0.0
SUPPLIES & EQUIP.	530	84.0	0	0.0
CONSTRUCTION	1,051	143.0	0	0.0
OTHERS	104	19.5	0	0.0
<b>TOTALS</b>	<b>12,035</b>	<b>\$2,148.8</b>	<b>89</b>	<b>\$237.6</b>

(Dollars in millions)

\* These numbers include new actions and modifications

\*\* Reviews completed by OAS

Note: Dollar amounts may not be exact due to rounding.

RECONCILIATION OF COST SAVINGS

	RECOMMENDED ADJUSTMENTS		PAGE REFERENCE	COSTS SET ASIDE	
	NUMBER OF REPORTS	AMOUNT	APPENDIX C	NUMBER OF REPORTS	AMOUNT
TOTAL ADJUDICATED REPORTS	64	\$5.2	1	64	\$19.4
LESS:					
(1) NONCONCURRED RAs, CONCURRED CSAs	(3)	\$0.0	2		
(2) COSTS NONCONCURRED	(14)	(\$1.0)	3		
(3) NONCONCURRED CSAs, CONCURRED RAs			2	(11)	(\$5.6)
(4) CONTRACTS NOT AWARDED W/OUT CSAs			3	(8)	\$0.0
(5) NONCONCURRED CSAs			3	(14)	(\$2.1)
TOTAL ADJUDICATED REPORTS WITH COST SAVINGS	47	\$4.2		31	\$11.7
COST SAVINGS RELATED TO CONCURRED RAs/CSAs	24	\$1.1	2	16	\$4.0
COST SAVINGS RELATED TO CONTRACTS NOT AWARDED	23	\$3.1	3	15	\$7.7
TOTAL ADJUDICATED REPORTS WITH COST SAVINGS	47	\$4.2		31	\$11.7

(Dollars in millions)

RA - Recommended Adjustments

CSA - Costs Set Aside

NONCONCURRED - Amounts that were questioned by the OAS and subsequently supported by the offeror.

COSTS SET ASIDE - Costs we could not render an opinion due to lack of documentation or other evidence.

TOTAL COST SAVINGS

RAs \$ 4.2

CSAs \$11.7

TOTAL \$15.9

RECONCILIATION OF COST SAVINGS

	(c) PAGE REFERENCE APPENDIX C	
TOTAL RECOMMENDED ADJUSTMENTS AND COSTS SET ASIDE	1	\$33,000,000
LESS:		
CONCURRED RAs	2	(\$1,100,000)
CONCURRED CSAs	2	(\$4,000,000)
NO CONTRACTS - RAs	3	(\$3,100,000)
NO CONTRACTS CSAs	3	(\$7,700,000)
JUSTIFIED OR UNADJUDICATED		<u>\$17,100,000</u>
NONCONCURRED RAs (a)	3	\$1,000,000
NONCONCURRED CSAs, CONCURRED RAs (a)	2	\$5,600,000
NONCONCURRED CSAs (a)	3	\$2,100,000
JUSTIFIED BY DOCUMENTATION	(b)	\$8,700,000
UNADJUDICATED	4	\$8,400,000
JUSTIFIED OR UNADJUDICATED		<u>\$17,100,000</u>

- (a) Justified by documentation or other evidence of allowability or reasonableness.
- (b) Computation
- (c) Also refer to page 1 of this Appendix.

SUMMARY SCHEDULE OF PRE-AWARD REVIEWS ISSUED FOR FISCAL YEAR ENDED SEPTEMBER 30, 1992  
 COMMON IDENTIFICATION NUMBER A-02-93-02517

APPENDIX C  
 PAGE 1 OF 4

CAPTION	NUMBER	RECOMMENDED ADJUSTMENTS	COSTS SET ASIDE	TOTAL RECOMMENDED ADJUSTMENTS & COSTS SET ASIDE	PAGE REF
REPORTS WITH FINDINGS:					
ADJUDICATED REPORTS WITH CONCURRED FINDINGS	27	\$1,498,145	\$9,488,732	\$10,986,877	2 OF 4
ADJUDICATED REPORTS WITH NONCONCURRED FINDINGS	14	727,629	2,178,558	2,906,187	3 OF 4
ADJUDICATED REPORTS CONTRACTS NOT AWARDED	23	3,055,158	7,746,491	10,801,649	3 OF 4
SUBTOTAL ADJUDICATED REPORTS (2)	64	\$5,280,932	\$19,413,781	\$24,694,713	3 OF 4
REPORTS AWAITING AUDIT RESOLUTION	16	2,645,205	5,712,881	8,358,086	4 OF 4
TOTAL REPORTS WITH FINDINGS	80	\$7,926,137	\$25,126,662	\$33,052,799	(1)
REPORTS WITH NO FINDINGS	9	0	0	0	4 OF 4
TOTAL OF ALL REPORTS	89	\$7,926,137	\$25,126,662	\$33,052,799	4 OF 4

(1) COMPUTATION

(2) TWO AUDITS DID NOT HAVE RECOMMENDED ADJUSTMENTS. THIS INCLUDED THE ILLINOIS CANCER CENTER (PAGE 2 OF 4)  
 AND THE BRIGHAM AND WOMEN'S HOSPITAL (PAGE 3 OF 4). THIS RESULTS IN 62 REPORTS WITH RECOMMENDED ADJUSTMENTS.

NOTE: NONCONCURRED - AMOUNTS THAT WERE QUESTIONED AND NOT ACCEPTED BY THE AGENCY.  
 COSTS SET ASIDE - COSTS WHICH WERE UNDOCUMENTED.

SUMMARY SCHEDULE OF PREAWARD REVIEWS ISSUED FOR FISCAL YEAR ENDED SEPTEMBER 30, 1992  
COMMON IDENTIFICATION NUMBER A-02-93-02517

CIN	PREAWARD AUDIT TITLE	TOTALS AUDITED			COSTS SET ASIDE	TOTAL RECOMMENDED ADJUSTMENTS & COSTS SET ASIDE	ADJUDICATIONS			
		NUMBER	PROPOSED COSTS	RECOMMENDED ADJUSTMENTS			RECOMMENDED COSTS CONCURRED	ADJUSTMENTS COSTS NON-CONCURRED	CONTRACTS NOT AWARDED	COSTS SET ASIDE CONCURRED
ADJUDICATED REPORTS WITH CONCURRED FINDINGS										
A-01-92-01514	HARVARD UNIVERSITY	1	\$7,989,697	\$358,268	\$3,874,275	\$4,230,543	\$31,409	324,859		
A-01-92-01524	DARTMOUTH COLLEGE	1	489,645	32,375	7,387	39,762	32,375	0	**	\$7,387
A-01-92-01525	BOSTON UNIVERSITY	1	822,656	(10,984)	148,991	136,007	0	(10,984)	**	136,007
A-01-92-20814	BOSTON BIOMEDICAL INC.	1	958,679	15,500		15,500	15,500	0		
A-02-92-02527	NEW JERSEY DEPARTMENT OF HEALTH	1	1,422,621	132,498	345,000	477,498	132,498	0	**	71,303
A-03-92-03320	ASSOC. OF AMERICAN MEDICAL COLLEGES	1	2,839,187	12,000	719,577	731,577	12,000	0	**	534,534
A-03-92-03322	UNIVERSITY OF PENNSYLVANIA	1	2,527,814	96,711	40,844	137,555	81,252	15,459		
A-03-92-20815	MANAGEMENT SYSTEMS APPL. INC.	1	20,000,000	11,456		11,456	11,456	0		
A-04-92-04122	CENDEISS	1	954,408	189,597	138,176	327,773	189,597	0	**	138,176
A-04-92-04130	KENTUCKY UNIVERSITY RESEARCH FOUND.	1	1,355,123	(3,402)	111,598	108,196	0	(3,402)	**	106,196
A-04-92-04139	BOWMAN GRAY SCHOOL	1	767,437	46,462	0	46,462	46,462	0		
A-04-92-04151	UNIVERSITY OF TENNESSEE	1	594,955	18,839	0	18,839	18,839	0		
A-04-92-04154	UNIVERSITY OF NORTH CAROLINA	1	736,324	86,602	53,488	140,090	80,395	6,207		
A-04-92-04160	WAKE FOREST UNIVERSITY	1	767,437	2,244	95,819	98,063	2,244	0	**	95,819
A-05-92-00090	UNIVERSITY OF MINNESOTA	1	792,814	12,049	76,937	88,986	5,689	6,300		
A-05-92-00098	ILLINOIS CANCER CENTER	1	1,499,828	0	286,699	286,699	0	0	**	286,699
A-05-92-00112	MEDICAL COLLEGE OF WISCONSIN	1	743,756	8,950	215,103	224,053	8,950	0	**	215,103
A-05-92-00113	MICHIGAN CANCER FOUNDATION	1	1,696,770	16,251	25,532	41,783	16,251	0	**	25,532
A-05-92-00131	UNIVERSITY OF CHICAGO	1	1,593,856	58,743	251,706	310,449	58,743	0	**	251,706
A-06-92-00088	NEW MEXICO DEPT. OF HEALTH	1	1,099,536	9,293	271,732	281,025	9,293	0	**	242,636
A-06-92-00089	TEXAS COMMISSION	1	1,489,306	22,567	1,015,648	1,038,215	22,567	0	**	296,739
A-06-92-00093	BAYLOR COLLEGE	1	549,219	25,991	3,127	29,118	25,991	0	**	3,127
A-08-92-00562	COLORADO STATE UNIVERSITY	1	3,062,851	285,040	158,769	443,809	239,881	45,159		
A-08-92-00571	AMER. INDIAN SCIENCE & ENGINEERING SOC.	1	555,561	16,030	0	16,030	16,030	0		
A-09-92-00082	UNIVERSITY OF SOUTHERN CALIFORNIA	1	6,060,116	12,577	1,256,630	1,269,207	12,577	0	**	1,256,630
A-09-92-00092	UNIVERSITY OF CALIFORNIA	1	1,853,723	21,563	393,694	415,257	21,563	0	**	294,441
A-10-92-00016	FRED HUTCHINSON CANCER RESEARCH CTR.	1	802,068	22,925	0	22,925	22,925	0		
SUBTOTAL ADJUDICATED REPORTS WITH CONCURRED FINDINGS		27	\$63,825,387	\$1,498,145	\$9,488,732	\$10,986,877	\$1,114,487	\$383,658	\$0	\$3,934,035
LESS:										
AUDITS WITH NO RECOMMENDED ADJUSTMENTS		(1)					\$0			
AUDITS WITH CREDIT ADJUSTMENTS THAT WERE NONCONCURRED		(2)					\$0			
NUMBER OF AUDITS WITH CONCURRED RECOMMENDED ADJUSTMENTS		24					\$1,114,487			
* AUDITS WITH NONCONCURRED RECOMMENDED ADJUSTMENTS										
** 16 OFFERORS WITH COSTS SET ASIDE CONCURRED										

SUMMARY SCHEDULE OF PREAWARD REVIEWS ISSUED FOR FISCAL YEAR ENDED SEPTEMBER 30, 1992  
COMMON IDENTIFICATION NUMBER A-02-93-02517

APPENDIX C  
PAGE 3 OF 4

CIN	PREAWARD AUDIT TITLE	NUMBER	TOTALS AUDITED		COSTS SET ASIDE	TOTAL RECOMMENDED ADJUSTMENTS & COSTS SET ASIDE	ADJUDICATIONS			
			PROPOSED COSTS	RECOMMENDED ADJUSTMENTS			RECOMMENDED COSTS CONCURRED	ADJUSTMENTS COSTS NON-CONCURRED	CONTRACTS NOT AWARDED	COSTS SET ASIDE CONCURRED
<b>ADJUDICATED REPORTS WITH NONCONCURRED FINDINGS</b>										
A-01-92-01510	UNIVERSITY OF MASSACHUSETTS/AMHERST	1	\$948,456	\$71,725	\$445,304	\$517,029	0	\$71,725		
A-01-92-01513	BRIGHAM AND WOMEN'S HOSPITAL	1	5,488,027	0	133,079	133,079	0	0		
A-01-92-01518	MASSACHUSETTS EYE AND EAR INFIRMARY	1	964,541	163,248	90,479	253,727	0	163,248		
A-01-92-01526	UNIVERSITY OF MASSACHUSETTS MED. CTR.	1	728,665	(210,821)	120,815	(90,000)	0	0		
A-02-91-02529	INTERSYSTEMS INC.	1	3,209,899	77,788	476,131	553,919	0	77,788		
A-03-92-03319	UNIVERSITY OF PITTSBURGH	1	1,095,627	56,540	26,228	82,768	0	56,540		
A-03-92-16286	HAZLETON WASHINGTON INC.	1	3,145,293	104,738	0	104,738	0	104,738		
A-04-92-04105	CORAL REEF RESEARCH FOUNDATION, INC.	1	2,775,817	51,522	628,179	679,701	0	51,522		
A-04-92-04155	EMORY UNIVERSITY	1	3,105,326	(87,289)	55,048	(32,241)	0	0		
A-04-92-04158	EBON RESEARCH SYSTEM	1	3,394,434	112,186	0	112,186	0	112,186		
A-05-92-00102	MAYO FOUNDATION	1	790,571	5,850	0	5,850	0	5,850		
A-05-92-00111	UNIVERSITY OF MINNESOTA	1	597,770	(11,830)	9,219	(2,611)	0	0		
A-08-92-17232	DATA CHEMICAL LABORATORIES	1	4,665,530	382,905		382,905	0	382,905		
A-09-92-00107	UNIVERSITY OF CALIFORNIA	1	2,062,953	11,067	194,076	205,143	0	11,067		
<b>SUBTOTAL ADJUDICATED REPORTS WITH NONCONCURRED FINDINGS</b>		<b>14</b>	<b>\$32,972,908</b>	<b>\$727,829</b>	<b>\$2,178,558</b>	<b>\$2,906,187</b>	<b>\$0</b>	<b>\$1,037,566</b>	<b>\$0</b>	<b>\$0</b>
<b>ADJUDICATED REPORTS CONTRACTS NOT AWARDED</b>										
A-01-92-01508	REGISTRY INCORPORATED	1	\$4,676,383	(\$226,910)	\$1,440,736	\$1,213,826			(\$226,910)	
A-01-92-01522	MASSACHUSETTS GENERAL HOSPITAL	1	1,213,532	90,818	0	90,818		90,818		
A-01-92-01527	YALE UNIVERSITY	1	2,099,143	218,440	0	218,440		218,440		
A-02-92-02524	SUNY RESEARCH FOUNDATION	1	972,744	237,175	15,000	252,175		237,175		
A-02-92-02525	NJ UNIVERSITY MEDICINE & DENTISTRY	1	979,351	92,634	0	92,634		92,634		
A-02-92-02903	HEALTH RESEARCH, INC.	1	1,386,199	337,852	0	337,852		337,852		
A-03-92-03315	THOMAS JEFFERSON UNIVERSITY	1	953,870	50,943	0	50,943		50,943		
A-03-92-16332	WESTAT INC.	1	3,260,521	153,966	1,144,396	1,298,362		153,966		
A-04-92-04111	DOBBS RAM & COMPANY	1	4,514,459	662,342	1,518,535	2,180,877		662,342		
A-04-92-04132	UNIVERSITY OF MIAMI	1	3,931,652	126,323	0	126,323		126,323		
A-04-92-04152	UNIVERSITY OF MIAMI	1	783,952	26,732	0	26,732		26,732		
A-05-91-00118	UNIVERSITY OF MINNESOTA	1	363,394	108,710	5,956	114,666		108,710		
A-05-92-00117	UNIVERSITY OF MINNESOTA	1	3,315,053	(124,774)	791,094	666,320		(124,774)		
A-05-92-00118	UNIVERSITY OF MINNESOTA	1	1,407,215	30,170	633,451	663,621		30,170		
A-06-91-00067	RCA VIAGRAPHIX CORPORATION	1	3,346,414	51,093	163,000	214,093		51,093		
A-06-92-00087	LOUISIANA STATE UNIVERSITY	1	223,295	2,357	0	2,357		2,357		
A-06-92-00092	BAYLOR COLLEGE	1	141,810	18,763	735	19,498		18,763		
A-06-92-00094	TEXAS HEART INSTITUTE	1	248,428	34,152	894	35,046		34,152		
A-07-92-00659	COLLEGE OF PHARMACY IOWA UNIVERSITY	1	2,769,431	27,286	64,789	92,075		27,286		
A-07-92-00607	UNIVERSITY OF IOWA	1	794,150	14,334	2,018	16,352		14,334		
A-08-92-00580	COLORADO DEPARTMENT OF HEALTH	1	3,383,082	358,678	384,866	743,544		358,678		
A-08-92-00588	PENROSE-ST. FRANCIS	1	4,322,528	759,656	1,161,733	1,921,389		759,656		
A-10-92-00009	OREGON HEALTH SCIENCE UNIVERSITY	1	1,102,588	4,418	419,288	423,706		4,418		
<b>SUBTOTAL ADJUDICATED REPORTS CONTRACTS NOT AWARDED</b>		<b>23</b>	<b>\$46,189,184</b>	<b>\$3,055,158</b>	<b>\$7,746,491</b>	<b>\$10,801,649</b>	<b>\$0</b>	<b>\$3,055,158</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL REPORTS WITH FINDINGS ADJUDICATED</b>		<b>64</b>	<b>\$142,987,489</b>	<b>\$5,280,932</b>	<b>\$19,413,781</b>	<b>\$24,694,713</b>	<b>\$1,114,487</b>	<b>\$1,421,227</b>	<b>\$3,055,158</b>	<b>\$3,934,035</b>

SUMMARY SCHEDULE OF PREAWARD REVIEWS ISSUED FOR FISCAL YEAR ENDED SEPTEMBER 30, 1992  
COMMON IDENTIFICATION NUMBER A-02-93-02517

CIN	PREAWARD AUDIT TITLE	TOTALS AUDITED		RECOMMENDED ADJUSTMENTS	COSTS SET ASIDE	TOTAL RECOMMENDED ADJUSTMENTS & COSTS SET ASIDE	ADJUDICATIONS				
		NUMBER	PROPOSED COSTS				RECOMMENDED ADJUSTMENTS	RECOMMENDED COSTS CONCURRED	ADJUSTMENTS COSTS NON- CONCURRED	CONTRACTS NOT AWARDED	COSTS SET ASIDE CONCURRED
<b>REPORTS WITH NO FINDINGS</b>											
A-02-92-02519	DEAFNESS RESEARCH FOUNDATION	1	\$490,111	\$0	\$0	\$0					
A-02-92-02528	MENTAL HYGIENE RESEARCH FOUNDATION	1	3,185,155	0	0	0					
A-04-92-04159	SOUTHERN RESEARCH INSTITUTE	1	5,135,056	0	0	0					
A-04-92-04161	RESEARCH TRIANGLE INSTITUTE	1	2,515,516	0	0	0					
A-04-92-04162	SOUTHERN RESEARCH INSTITUTE	1	4,205,381	0	0	0					
A-05-92-00096	ILLINOIS CANCER CENTER	1	7,811,408	0	0	0					
A-05-92-00101	AMERICAN MEDICAL ASSOCIATION	1	307,645	0	0	0					
A-10-92-00013	UNIVERSITY OF WASHINGTON	1	974,919	0	0	0					
A-10-92-00014	CHILDREN'S HOSPITAL MEDICAL CENTER	1	975,219	0	0	0					
<b>SUBTOTAL REPORTS WITH NO FINDINGS</b>		<b>9</b>	<b>\$25,600,410</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>REPORTS AWAITING AUDIT RESOLUTION</b>											
A-01-92-01511	YALE UNIVERSITY	1	\$7,912,473	\$921,631	\$82,387	\$1,004,018					
A-01-92-01512	DANA-FARBER CANCER INSTITUTE	1	2,681,026	166,299	432,898	599,197					
A-02-92-02905	HEALTH RESEARCH, INC.	1	5,805,143	19,873	0	19,873					
A-03-92-03317	FOX CHASE CANCER CENTER, PHILADEPHIA	1	11,078,268	429,436	0	429,436					
A-03-92-03321	MARY BABB RANDOLPH CANCER CENTER	1	5,652,233	349,044	0	349,044					
A-03-92-16423	USER TECHONOLOGY ASSOCIATES INC.	1	951,199	0	357,827	357,827					
A-03-92-18135	ELECTRIC RESEARCH AND MGT. INC.	1	489,771	12,097		12,097					
A-03-92-19013	PARAMAX SYSTEMS CORP.	1	946,076	8,416		8,416					
A-03-92-20748	COMPUS SERVICES CORP.	1	3,031,198	0	397,400	397,400					
A-03-92-20787	SRA TECHNOLOGIES INC.	1	920,427	183,138		183,138					
A-04-92-04141	KENTUCY UNIVERSITY RESEARCH FOUND.	1	6,706,803	243,966	791,911	1,035,877					
A-04-92-04143	DUKE UNIVERSITY	1	8,444,654	30,519	1,108,292	1,138,811					
A-05-92-00092	OHIO STATE UNIVERSITY RESEARCH FOUND.	1	8,536,297	31,421	2,365,802	2,397,223					
A-06-92-00073	M.D.ANDERSON CANCER CENTER	1	1,643,404	22,228	81,652	103,880					
A-06-92-00091	LOUIS L.WELLER	1	1,724,980	128,876	94,712	223,588					
A-10-92-20716	NBBJ GROUP	1	2,533,582	98,261	0	98,261					
<b>SUBTOTAL REPORTS AWAITING AUDIT RESOLUTION</b>		<b>16</b>	<b>\$69,057,434</b>	<b>\$2,845,205</b>	<b>\$5,712,881</b>	<b>\$8,358,086</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>TOTAL OF ALL REPORTS</b>		<b>69</b>	<b>\$237,646,333</b>	<b>\$7,926,137</b>	<b>\$25,126,662</b>	<b>\$33,052,799</b>	<b>\$1,114,487</b>	<b>\$1,421,227</b>	<b>\$3,056,158</b>	<b>\$3,934,035</b>	
				3%	11%	14%	24		23	16	

APPENDIX D

**FISCAL YEAR 1992 PRE-AWARD AUDITS SUMMARY REPORT**  
**SCHEDULE OF PHS FY 1992 CONTRACT ACTIONS OVER \$500,000**

COMMON IDENTIFICATION NUMBER A-02-93-02517

CONTRACTS AWARDED AND PRE-AWARD REVIEWS COMPLETED - BY AGENCY:

<u>AGENCY</u>	<u>CONTRACTS</u>		<u>AUDITS</u>	
	<u>ACTIONS</u>	<u>DOLLARS</u>	<u>*NUMBER</u>	<u>DOLLARS</u>
ADAMHA	120	\$134.9	7	\$18.6
CDC	60	87.8	6	40.4
FDA	29	29.2	2	4.4
HRSA	21	20.2	2	2.7
IHS	244	418.4	1	2.5
NIH	468	700.4	63	166.3
OASH	53	71.3	0	0.0
<b>TOTALS</b>	<b>995</b>	<b>\$1,462.2</b>	<b>81</b>	<b>\$234.9</b>

CONTRACTS AWARDED - BY MAJOR CATEGORY:

<u>CATEGORY TYPE</u>	<u>ACTIONS</u>	<u>DOLLARS</u>
RESEARCH	398	\$473.5
SERVICES	521	816.5
SUPPLIES & EQUIPMENT	29	54.6
CONSTRUCTION	40	107.7
OTHERS	7	9.9
<b>TOTALS</b>	<b>995</b>	<b>\$1,462.2</b>

(Dollars in millions)

\* Reviews completed by OAS

Note: Dollar amounts may not be exact due to rounding.