



SEP 6 2007

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

Report Number A-01-06-01502

Ms. Maureen Murphy  
Vice President for Financial Affairs and Treasury Services  
MS 110 Brandeis University  
P.O. Box 549110  
Waltham, MA 02454-9110

Dear Ms. Murphy:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Administrative and Clerical Costs at Brandeis University for Fiscal Years 2004 and 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to contact me at (617) 565-2684 or through email at [Michael.Armstrong@oig.hhs.gov](mailto:Michael.Armstrong@oig.hhs.gov). Please refer to report number A-01-06-01502 in all correspondence.

Sincerely,

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Lorraine Trexler, Acting Director  
National Institutes of Health  
Division of Financial Advisory Services, OALM  
6100 Executive Blvd., Room 6B05, MSC-7540  
Bethesda, MD 20892-7540

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATIVE  
AND CLERICAL COSTS AT  
BRANDEIS UNIVERSITY FOR  
FISCAL YEARS 2004 AND 2005**



Daniel R. Levinson  
Inspector General

August 2007  
A-01-06-01502

# ***Office of Inspector General***

<http://oig.hhs.gov>

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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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**

Pursuant to 2 CFR part 220, Appendix A (formerly known as Office of Management and Budget Circular A-21), colleges and universities receiving Federal grants and contracts take responsibility for ensuring that all costs charged to these agreements are allowable. An allowable cost must be reasonable, allocable, and consistently treated and must conform to any limitations or exclusions established in these regulations. In accordance with these regulations, the cost of a sponsored agreement includes the allowable direct costs of the project plus the allocable portion of the allowable facilities and administrative (F&A) costs of the institution. F&A costs are indirect costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or other institutional activity. 2 CFR part 220, Appendix A, also identifies the types of costs that shall normally be treated as F&A costs. These include clerical and administrative salaries and wages, office supplies, postage, local telephone costs, and memberships.

Brandeis University (the University) is a private institution founded in 1948 in Waltham, Massachusetts. During the University's fiscal years 2004 and 2005, the University charged a total of \$393,881 to Department of Health and Human Services (HHS) grants and contracts for clerical and administrative costs and other direct costs.

### **OBJECTIVE**

Our objective was to determine whether the University claimed clerical and administrative costs and other direct costs under the terms and conditions of the HHS grant and contract awards and applicable Federal regulations set forth in 2 CFR part 220, Appendix A.

### **SUMMARY OF FINDINGS**

From July 1, 2003, through June 31, 2005, the University claimed administrative salaries and wages in accordance with Federal and University requirements. However, it misclassified a total of \$31,303 (\$24,958 in other direct costs and \$6,345 in related indirect costs) to National Institutes of Health (NIH) grants for books, subscriptions, and public relation costs that should have been included in its F&A costs. Although the University had established policies for charging grants for direct and indirect costs, these procedures were not always followed or were inadequate. As a result, the University could have overcharged NIH grants \$31,303.

### **RECOMMENDATIONS**

We recommend that the University:

- update its procedures to include books, subscriptions, and other supplies as costs claimed under F&A costs unless adequately justified, budgeted, and approved by NIH as a direct grant cost and
- work with NIH to resolve the \$31,303 in misclassified costs.

## **BRANDEIS UNIVERSITY'S COMMENTS**

In its August 6, 2007, comments on our draft report, the University generally agreed with our findings and recommendations. The University's comments are included in their entirety as Appendix B.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Allowable Costs for Federal Grants to Colleges and Universities**

Pursuant to 2 CFR part 220, Appendix A,<sup>1</sup> colleges and universities receiving Federal grants and contracts take responsibility for ensuring that all costs charged to these agreements are allowable. An allowable cost must be reasonable, allocable, and consistently treated and must conform to any limitations or exclusions established in these regulations. In accordance with these regulations, the cost of a sponsored agreement includes the allowable direct costs of the project plus the allocable portion of the allowable facilities and administrative (F&A) costs of the institution. F&A costs are indirect costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or other institutional activity. 2 CFR part 220, Appendix A, also identifies the types of costs that shall normally be treated as F&A costs. For labor costs, these include clerical and administrative salaries and wages. For nonlabor costs, they include items such as office supplies, postage, local telephone costs, and memberships.

#### **Brandeis University**

Brandeis University (the University) is a private institution founded in 1948 in Waltham, Massachusetts. The University is dedicated to the advancement of the humanities, arts, and social, natural, and physical sciences. During the University's fiscal years 2004 and 2005, the University charged a total of \$393,881 to Department of Health and Human Services (HHS) grants and contracts for clerical and administrative costs and other direct costs. These charges consisted of 1,241 payroll transactions for administrative and clerical salaries and wages totaling \$354,071 and 78 transactions (greater than \$250) for other direct costs totaling \$39,810. The other direct costs consisted of office supplies, postage, local telephone expense, books, subscriptions, and other supplies.

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

#### **Objective**

Our objective was to determine whether the University claimed clerical and administrative costs and other direct costs under the terms and conditions of the HHS grant and contract awards and applicable Federal regulations set forth in 2 CFR part 220, Appendix A.

#### **Scope**

Our review covered the period from July 1, 2003, through June 30, 2005. We limited our review of internal controls to the process that the University used to claim clerical and administrative costs as direct costs for reimbursement.

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<sup>1</sup>This regulation was formerly known as Office of Management and Budget Circular A-21.

We performed our review between July 2006 and May 2007 at the University in Waltham, Massachusetts.

## **Methodology**

During our review, we:

- reviewed applicable Federal regulations, National Institutes of Health (NIH) grants policy, grant and contract award terms and conditions, grant application documents, and the University's Cost Accounting Standards Disclosure Statement;
- reviewed the University's chart of accounts and related descriptions and its policies and procedures on administrative and clerical costs and other costs normally charged as indirect costs;
- obtained and reviewed job titles and job descriptions for employees charged to the administrative and clerical account codes;
- reviewed University grant application budgets, contract proposals, and related justifications for charging costs as direct that are normally charged as indirect; and
- discussed our findings with University officials.

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

## **FINDINGS AND RECOMMENDATIONS**

From July 1, 2003, through June 31, 2005, the University claimed administrative salaries and wages in accordance with Federal and University requirements. However, it misclassified a total of \$31,303 (\$24,958 in other direct costs and \$6,345 in related indirect costs) to NIH grants for books, subscriptions, and public relation costs that should have been included in its F&A costs. Although the University had established policies for charging grants for direct and indirect costs, these procedures were not always followed or were inadequate. As a result, the University could have overcharged NIH grants \$31,303.

### **OTHER DIRECT COSTS AND RELATED INDIRECT COSTS**

#### **Federal and University Requirements**

Federal regulations (2 CFR part 220, Appendix A) established requirements for consistent treatment in the allocation of costs. All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives. These regulations also state that no grant shall have costs allocated to it as direct costs if other costs incurred for the same purpose, in like circumstances, have been included in any F&A cost pool to be allocated to that or any other grant. However, the regulations allow that direct charging of these costs may be appropriate when a major project or activity explicitly

budgets for these types of administrative costs and the costs can be specifically identified with the project or activity.

NIH Grants Policy Statement, Part II, Terms and Conditions of NIH Grant Awards, subpart A, states: “If an organization has a library, books and journals generally should be provided as part of normal library services and treated as F&A costs.”

University procedures under Cost Accounting Standards Policy, effective July 1, 1999, section VII, identify normal indirect costs that may only be charged as direct when they meet all of the following conditions:

- The project has a special need for the item or service that is beyond the level of services normally provided.
- The cost can be specifically identified to the work conducted under the project and is appropriately documented.
- The cost is specified in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging are justified in the proposal.
- The sponsoring agency accepts the cost as part of the project’s direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the University).

NIH Grants Policy Statement, Part II, Terms and Conditions of NIH Grant Awards, subpart A, states that public relation costs are:

Allowable only for costs specifically required by the award or costs of communicating with the public and the press about specific activities or accomplishments under grant-supported projects or other appropriate matters of public concern. Such costs may be treated as direct costs but should be treated as F&A costs if they benefit more than one sponsored agreement or if they benefit the grant and other work of the organization.

### **Misclassified Costs**

Although the University claimed administrative salaries and wages in accordance with Federal and University requirements, it misclassified a total of \$31,303 (\$24,958 in other direct costs and \$6,345 in related indirect costs) to 13 different NIH grant awards for books, subscriptions, and public relation costs that should have been included in its F&A costs. These costs were not in accordance with Federal requirements and did not meet any of the University’s four conditions for being charged as direct costs. Specifically, the misclassified charges and associated indirect costs consisted of \$14,107 for subscriptions to trade journals, \$13,400 for text and reference books, and \$3,797 for other supplies used for two open house parties to thank current volunteers and recruit new volunteers for University research projects. See Appendix A for a detailed description of these expenditures.

## **PROCEDURES NOT FOLLOWED OR INADEQUATE**

Although the University had established policies for charging grants for direct costs and indirect costs, these procedures were not always followed or were inadequate. As a result, the University could have overcharged NIH grants \$31,303.

## **RECOMMENDATIONS**

We recommend that the University:

- update its procedures to include books, subscriptions, and other supplies as costs claimed under F&A costs unless adequately justified, budgeted, and approved by NIH as a direct grant cost and
- work with NIH to resolve the \$31,303 in misclassified costs.

## **BRANDEIS UNIVERSITY'S COMMENTS**

In its August 6, 2007, comments on our draft report, the University generally agreed with our findings and recommendations. Specifically, the University stated that it is in the process of revising and strengthening its policies and procedures for administrative and clerical expenditures and is prepared to work with NIH to resolve the identified costs of \$31,303 for fiscal years 2004 and 2005. The University's comments are included in their entirety as Appendix B.

# **APPENDIXES**

**BRANDEIS UNIVERSITY - DESCRIPTION OF OTHER DIRECT COSTS - (A-01-06-01502)****SUBSCRIPTIONS:**

<b>NIH Award Count</b>	<b>Brandeis Grant #</b>	<b>NIH Award #</b>	<b>Description</b>	<b>Costs Charged as Direct</b>	<b>Indirect Rate</b>	<b>Indirect Costs</b>	<b>TOTAL</b>
1	400524	2 R01 GM21473-27A1/28	Reference updates - database for literature that covers more than 60 disciplines	\$ 2,165	55%	\$ 1,191	\$ 3,356
2	400335	5 P01 NS044232-02/03	Reimbursement to 1 student for hardcopy and online subscription	\$ 306	55%	\$ 168	\$ 474
3	400305	5 R01 AA010869-05/06	National Council on Quality Assurance manual on using survey data	\$ 289	55%	\$ 159	\$ 448
4	400336	5 R01 AI013725-24/25	Hardcopy and online subscriptions/renewals to 4 trade journals	\$ 1,190	55%	\$ 655	\$ 1,845
5	460900	5 R01 GM031768-21/22	Hardcopy and online subscription to trade journal	\$ 920	55%	\$ 506	\$ 1,426
6	400222	5 R01 GM63691-03	Print and online subscription to 2 journals	\$ 345	55%	\$ 189	\$ 534
7	400723	2 T32 AA007567-11	3 journal subscriptions	\$ 1,382	8%	\$ 111	\$ 1,493
	400316	5 T32 AA007567-10	1 journal subscription	\$ 275	8%	\$ 22	\$ 297
	400486	5 T32 AA007567-10	4 journal subscriptions	\$ 1,934	8%	\$ 155	\$ 2,089
8	400441	5 T32 GM007122-29	Institutional online journal subscription - available for up to 500 doctoral students, faculty, and employees in life sciences	\$ 779	8%	\$ 62	\$ 841
	400611	5 T32 GM007122-30	Online journal subscription	\$ 918	8%	\$ 73	\$ 991
9	400612	5 T32 NS007292-19	Hardcopy and online subscription to trade journal	\$ 290	8%	\$ 23	\$ 313
<b>Subtotal for Subscriptions (Direct + Indirect)</b>				<b>\$ 10,793</b>		<b>\$ 3,314</b>	<b>\$ 14,107</b>

**BRANDEIS UNIVERSITY - DESCRIPTION OF OTHER DIRECT COSTS - (A-01-06-01502)****BOOKS:**

NIH Award Count	Brandeis Grant #	NIH Award #	Description	Costs Charged as Direct	Indirect Rate	Indirect Costs	TOTAL
10	461835	5 R01 AG015852-05	1 lab manual, 3 general books	\$ 265	55%	\$ 145	\$ 410
11	400188	5 R01 MH061975-03	5 lab manuals	\$ 310	55%	\$ 171	\$ 481
12	400230	5 R37 AG004517-21/22	400 reprints (200 each on 2 research articles)	\$ 1,013	55%	\$ 557	\$ 1,571
	400316	5 T32 AA007567-10	One order for 20 course textbooks, another order for 15 course textbooks made under a grant with only 8 students	\$ 4,827	8%	\$ 386	\$ 5,213
	400486	5 T32 AA007567-10	Journal subscription (miscoded as book)	\$ 404	8%	\$ 32	\$ 436
	400723	2 T32 AA007567-11	4 copies of Substance Abuse, 4th edition	\$ 725	8%	\$ 58	\$ 783
13	400640	5 T32 HS000062-11	Reimbursement to 4 students for course textbooks	\$ 2,986	8%	\$ 239	\$ 3,224
	400469	2 T32 HS000062-10	Reimbursement to trainees for course textbooks	\$ 1,187	8%	\$ 95	\$ 1,282
<b>Subtotal for Books (Direct + Indirect)</b>				<b>\$ 11,716</b>		<b>\$ 1,684</b>	<b>\$ 13,400</b>

**OTHER SUPPLIES:**

NIH Award Count	Brandeis Grant #	NIH Award #	Description	Costs Charged as Direct	Indirect Rate	Indirect Costs	TOTAL
	400230	5 R37 AG004517-21/22	Food, beverages, party supplies, flowers, vases, imprinted pens and memo pads for two open houses to thank current volunteers and to recruit new volunteers for University research	\$ 2,450	55%	\$ 1,347	\$ 3,797
<b>Subtotal for Other Supplies (Direct + Indirect)</b>				<b>\$ 2,450</b>		<b>\$ 1,347</b>	<b>\$ 3,797</b>

**Total of all charges \$ 24,958 \$ 6,345 \$ 31,303**



# Brandeis University

Office of the  
Vice President for  
Financial Affairs and  
University Treasurer

Mailstop 110  
P.O. Box 549110  
Waltham, Massachusetts  
02454-9110

781-736-4435  
781-736-4454 Fax

August 6, 2007

Michael J. Armstrong  
Regional Inspector General for Audit Services  
Office of the Inspector General  
Office of Audit Services  
Room 2425  
Region I  
John F. Kennedy Federal Building  
Boston, MA 02203

RE: Report Number A-01-06-01502

Dear Mr. Armstrong,

We are in receipt of the draft report entitled "Review of Administrative and Clerical Costs at Brandeis University for Fiscal Years 2004 and 2005." This letter shall serve as our formal response to the draft report.

Misclassification of other direct costs that should have been included in F & A costs

The findings state that Brandeis University misclassified direct and related indirect costs to National Institutes of Health (NIH) grants for books, subscriptions and public relation costs that should have been included in its F & A costs. The findings also state that although Brandeis University had established policies for charging grants for direct and indirect costs, these procedures were not always followed or were inadequate.

It does appear, from the documentation, that our procedures were not consistently applied. However, we believe that in most instances, the costs were valid even though they may not have been adequately documented in the budget and narrative portion of the grant application. In the case of the training grants, we agree that overall costs principles apply. However, the budget for training related expenses, to which these costs were charged, is developed as a lump sum on the basis of the pre-determined amount per pre and post doctoral trainees approved for support. The report also identified public relation costs. The open houses were for a specific research project to retain and recruit elderly human subjects for participation in a longitudinal study rather than an open forum to the public. It does appear, however, that the costs identified might have been better justified and documented during the review and approval process.

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August 6, 2007

Recommendations

The University has already taken steps to address the recommendations in the report. We are prepared to work with NIH on the identified costs of \$31,303 for fiscal years 2004 and 2005. In addition, we have reviewed similar costs for fiscal years 2006 and 2007 and removed them from the grants unless they were properly justified and documented. As a result of the audit, we are in the process of revising and strengthening our policies and procedures on administrative and clerical expenditures to be more explicit and will be providing campus wide and ongoing training during the upcoming year.

On behalf of Brandeis University, I would like to thank you and your staff, particularly George Netter, Dan Lew and Tammy Levesque for the professionalism they exhibited during the conduct of this audit. If you have any questions, please do not hesitate to contact me. Thank you.

Sincerely,



Maureen Murphy  
Vice President for Financial Affairs and Treasury Services

cc: Peter French, Executive Vice President and Chief Operating Officer

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