



Office of Audit Services, Region I
John F. Kennedy Federal Building
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Boston, MA 02203

Report Number: A-01-11-01500

Ms. Jill M. Mortali
Director of Sponsored Projects
Dartmouth College
11 Rope Ferry Road, #6210
Hanover, NH 03755-1404

Dear Ms. Mortali:

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 Dartmouth College for Fiscal Years 2009 Through 2010*.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through email at George.Nedder@oig.hhs.gov. Please refer to report number A-01-11-01500 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATIVE AND
CLERICAL COSTS AT DARTMOUTH
COLLEGE FOR FISCAL YEARS
2009 THROUGH 2010**



Daniel R. Levinson
Inspector General

August 2011
A-01-11-01500

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

INTRODUCTION

BACKGROUND

Allowable Costs for Federal Grants to Colleges and Universities

Colleges and universities that receive Federal grants and contracts must ensure that all costs charged to these agreements are allowable, pursuant to 2 CFR pt. 220, Appendix A.¹ An allowable cost must be reasonable, allocable, consistently treated, and conform to any limitations or exclusions established in 2 CFR pt. 220, Appendix A. In accordance with 2 CFR pt. 220, 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.

With respect to administrative and clerical costs, 2 CFR pt. 220 and related Cost Accounting Standards state that colleges and universities should generally treat these expenses as F&A costs and thus recover the applicable portion of those expenses through negotiated F&A rates. However, Federal regulations recognize that the direct charging of these expenses may be appropriate in “unlike circumstances” or for certain “major projects.”

Dartmouth College

Dartmouth College (the College) is a private institution located in Hanover, New Hampshire. During fiscal years 2009 and 2010, the College charged a total of \$17,409,588 to Department of Health and Human Services (HHS) grants and contracts for clerical and administrative salaries and other administrative (nonsalary) costs normally charged indirectly. These charges consisted of administrative wages totaling \$15,577,141 and other administrative costs totaling \$1,832,447. The nonsalary costs charged directly consisted of office supplies, postage, books, and other supplies.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the College charged administrative costs (i.e., administrative and clerical salaries and other nonsalary administrative costs) in accordance with 2 CFR pt. 220, Appendix A.

Scope

Our review covered the period July 2008 through June 2010. 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.

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

We performed our fieldwork at the College's Office of Sponsored Projects in Hanover, New Hampshire.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal regulations, the *National Institutes of Health Grants Policy Statement*, grant and contract award terms and conditions, grant application documents, and the University's Cost Accounting Standards Disclosure Statement;
- reviewed the College's chart of accounts 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 the College's grant application budgets, contract proposals, and related justifications for charging costs as direct that are normally charged as indirect; and
- reviewed 197 administrative or clerical salary transactions and other administrative (nonsalary) cost transactions for the audit period valued at approximately \$933,324.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

The College charged administrative costs (i.e., administrative and clerical salaries and other nonsalary administrative costs) in accordance with 2 CFR pt. 220, Appendix A. Specifically, the College complied with Federal regulations for 197 administrative cost transactions that it had charged directly to HHS during the audit period. These transactions were allowable as direct costs because they were charged to a major project, had unlike circumstances, or were directly related to or necessary to achieve the objectives or goals of the HHS grants or contracts. Accordingly, this report contains no recommendations.