



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General  
Office Of Audit Services

Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, NY 10278

March 3, 2006

Report Number: A-02-05-02002

Richard Ruttenberg  
Associate Controller  
Columbia University  
1700 Broadway  
New York, New York 10019

Dear Mr. Ruttenberg:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Review of Cost Sharing at Columbia University for the Period July 1, 2003 to June 30, 2004." Should you have any questions or comments concerning the matters in this report, please direct them to the HHS official named on the next page.

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 issued to the Department's grantees and contractors are made available to the public to the extent the information 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-02-05-02002 in all correspondence.

Sincerely yours,

*James P. Edert*  
James P. Edert  
Regional Inspector General  
for Audit Services

Enclosures

Page 2 – Richard Ruttenberg

**HHS Action Official:**

Ms. Leanne Robey  
Chief, Special Reviews Branch, NIH, DFAS  
6100 Executive Boulevard, Room 6B05  
Bethesda, MD 20892-7540

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF COST SHARING  
AT COLUMBIA UNIVERSITY  
FOR THE PERIOD  
JULY 1, 2003 TO JUNE 30, 2004**



**Daniel R. Levinson  
Inspector General**

**March 2006  
A-02-05-02002**

# *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 and 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:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts management and program evaluations (called inspections) that focus on issues of concern to HHS, Congress, and the public. The findings and recommendations contained in the inspections generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs. OEI also oversees State Medicaid Fraud Control Units which investigate and prosecute fraud and patient abuse in the Medicaid program.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

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



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Columbia University (the University) was awarded \$304 million in funding from the National Institutes of Health (NIH) for fiscal year 2004.<sup>1</sup> NIH is an agency of the Department of Health and Human Services that provides grant related funding for Federally sponsored health research.

The University may be required to share in the cost of Federally sponsored research projects in accordance with laws, regulations, or administrative decisions of NIH, which is referred to as mandatory cost sharing. The University may also voluntarily commit to share in the cost of Federally sponsored research projects, which is referred to as voluntary committed cost sharing. Both mandatory and voluntary committed cost sharing must be provided and documented in accordance with Office of Management and Budget (OMB) Circulars No. A-21 and A-110.

In addition, Congress legislatively capped the amount of Federal funding colleges and universities may receive for salary charged to an NIH grant. Consequently, grantees are required to remove expenditures for salary above this cap from grant applications and claims for Federal reimbursement. In addition, salary paid by the University that exceeds the cap must be included in the calculation of the Facilities and Administrative (F&A) cost rate. The F&A cost rate is used to reimburse the University for indirect costs on grants and contracts.

### **OBJECTIVES**

Our objectives were to determine whether the University:

1. provided cost sharing on NIH projects that was allowable, reasonable and documented in accordance with OMB Circulars No. A-21 and A-110, and
2. removed salary above the cap from grant applications and claims for Federal reimbursement for NIH projects, and included salary above the cap in the calculation of the F&A cost rate.

### **SUMMARY OF RESULTS**

The University has procedures in place to document mandatory cost sharing. However, NIH did not require the University to provide mandatory cost sharing on any of the NIH grants that we reviewed. Consequently, we were unable to assess the adequacy of these procedures.

The University also has procedures in place to document voluntary committed cost sharing. The University provided voluntary committed cost sharing in accordance with OMB Circulars No. A-21 and A-110.

---

<sup>1</sup> The University's fiscal year is based on the academic calendar; therefore, fiscal year 2004 covered the period July 1, 2003 to June 30, 2004.

The University removed salary above the cap when submitting grant applications and claims for Federal reimbursement for NIH projects. The University also properly included salary above the cap in the calculation of the F&A cost rate.

## TABLE OF CONTENTS

	<b>Page</b>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Columbia University .....	1
Cost Sharing.....	1
National Institutes of Health Salary Cap .....	1
<b>OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	2
Objectives .....	2
Scope.....	2
Methodology .....	2
<b>RESULTS OF REVIEW</b> .....	3

## **INTRODUCTION**

### **BACKGROUND**

#### **Columbia University**

Columbia University (the University) was awarded \$304 million in funding from the National Institutes of Health (NIH) for fiscal year 2004. NIH is an agency of the Department of Health and Human Services that provides grant related funding for Federally sponsored health research.

A grant is a mechanism used by NIH to provide funding to the University to carry out an approved project. In order to receive funding through a grant, the University must submit an application to NIH. Information provided on the application typically includes a project description, budget, and budget justification. Once a grant application has been reviewed and approved for funding, the University will receive a Notice of Grant Award that notifies the University that an award has been made. The Notice of Grant Award includes such information as the approved budget period start and end dates and the amount of funds awarded. The budget period is the interval of time into which a project has been divided for funding purposes. The University is required to submit reports of expenditures to NIH as documentation of the financial status of grants. Financial or expenditure reporting is accomplished using the Financial Status Report (FSR).

#### **Cost Sharing**

The University may be required to share in the cost of Federally sponsored research projects in accordance with laws, regulations, or administrative decisions of NIH, which is referred to as mandatory cost sharing. The University may also voluntarily commit to share in the cost of Federally sponsored research projects, which is referred to as voluntary committed cost sharing. Both mandatory and voluntary committed cost sharing must be provided and documented in accordance with Office of Management and Budget (OMB) Circulars No. A-21 and A-110.

#### **National Institutes of Health Salary Cap**

Congress legislatively capped the amount of Federal funding colleges and universities may receive for salary charged to an NIH grant. This salary cap is based on the Federal Executive Pay Scale and is adjusted annually. The salary cap for fiscal year 2004 was \$171,900 for the period July 1, 2003 through December 31, 2003, and \$175,700 for the period January 1, 2004 through June 30, 2004. Grantees are required to remove expenditures for salary above this cap from grant applications and claims for Federal reimbursement. In addition, salary paid by the University that exceeds the cap must be included in the calculation of the Facilities and Administrative (F&A) cost rate. The F&A cost rate is used to reimburse the University for indirect costs on grants and contracts.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether the University:

1. provided cost sharing on NIH projects that was allowable, reasonable and documented in accordance with OMB Circulars No. A-21 and A-110, and
2. removed salary above the cap from grant applications and claims for Federal reimbursement for NIH projects, and included salary above the cap in the calculation of the F&A cost rate.

### **Scope**

Our audit was limited to a universe of 219 NIH grants that had a budget period end date between July 1, 2003 and June 30, 2004 and had an FSR filed. The direct expenditures for these grants totaled \$38,655,446.

We did not review the overall internal control structure of the University, because the objectives of our audit were accomplished through substantive testing. However, we documented pertinent controls related to cost sharing and salary above the cap.

We performed fieldwork at the University during February 2005 through October 2005.

### **Methodology**

To accomplish our objectives we:

- ✓ reviewed Federal laws and regulations pertaining to cost sharing and salary above the cap,
- ✓ reviewed NIH and the University's policies and procedures regarding cost sharing and salary above the cap,
- ✓ obtained a universe of 219 NIH grants, with direct expenditures totaling \$38,655,446, that had a budget period end date between July 1, 2003 and June 30, 2004 and had an FSR filed,
- ✓ tested the universe for completeness and accuracy,
- ✓ judgmentally selected 29 grants from the universe with direct expenditures totaling \$20,729,470, or 54% of the total direct expenditures for the universe, and
  - determined if the University documented mandatory or voluntary committed cost sharing,

- determined if the University removed salary above the cap from grant applications and claims for Federal reimbursement, and
- ✓ reviewed the calculation of the F&A rate that was in effect during fiscal year 2004 to determine if the University included salary above the cap in the calculation.

Our audit was performed in accordance with generally accepted government auditing standards.

### **RESULTS OF REVIEW**

The University has procedures in place to document mandatory cost sharing. However, NIH did not require the University to provide mandatory cost sharing on any of the NIH grants that we reviewed. Consequently, we were unable to assess the adequacy of these procedures.

The University also has procedures in place to document voluntary committed cost sharing. The University provided voluntary committed cost sharing in accordance with OMB Circulars No. A-21 and A-110.

The University removed salary above the cap when submitting grant applications and claims for Federal reimbursement for NIH projects. The University also properly included salary above the cap in the calculation of the F&A cost rate.

## ACKNOWLEDGMENTS

This report was prepared under the direction of James P. Edert, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

John J. Madigan, *Audit Manager*

Glenn H. Richter, *Senior Auditor*

Kristen C. Culnan, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.