

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW YORK UNIVERSITY SCHOOL
OF MEDICINE BUDGETED COSTS
THAT WERE APPROPRIATE
AND CLAIMED ALLOWABLE
HURRICANE SANDY
DISASTER RELIEF ACT FUNDS**

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December 2015
A-02-14-02011

Office of Inspector General

<http://oig.hhs.gov>

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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.

New York University School of Medicine, a National Institutes of Health grantee, budgeted costs that were appropriate and claimed allowable Hurricane Sandy Disaster Relief Act funds.

INTRODUCTION

WHY WE DID THIS REVIEW

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act of 2013, P.L. No. 113-2 (Disaster Relief Act), which, in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy.¹ This funding was available until September 30, 2015. After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$148.8 million of which was allocated to the National Institutes of Health (NIH). NIH awarded \$127.8 million of the Disaster Relief Act funds it received to New York University School of Medicine (NYU School of Medicine) to restore its medical scientific research activities damaged by Hurricane Sandy.

The Disaster Relief Act mandated the Department's Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG's Disaster Relief Act oversight activities.

OBJECTIVES

Our objectives were to determine whether NYU School of Medicine's Disaster Relief Act budgeted costs were appropriate and NYU School of Medicine's claimed costs were allowable in accordance with Federal requirements.

BACKGROUND

National Institutes of Health

Within the Department, NIH is the agency that is responsible for the Nation's medical scientific research. NIH supports many training programs and funding mechanisms that foster scientific creativity and exploration. NIH's mission is to seek fundamental knowledge about the nature and behavior of living systems and to apply that knowledge to enhance health, lengthen life, and reduce illness and disability. NIH received \$148.8 million in Disaster Relief Act funding and

¹ The Budget Control Act of 2011 (P.L. No. 112-25) reduced the Hurricane Sandy disaster relief funds the Department received from approximately \$800 million to \$759.5 million. The law imposed automatic spending cuts, known as "sequestration," designed to reduce the Federal deficit. The Office of Management and Budget determined that disaster relief funds were subject to sequestration, and as a result, the funds were reduced by approximately \$40.5 million.

allocated the funds to two programs: Grantee Research Programs (\$147 million) and Environmental Health Sciences (\$1.8 million).

New York University School of Medicine

NYU School of Medicine, part of New York University Langone Medical Center (NYU Langone Medical Center), is an educational institution designed to improve human conditions through medical education, patient care, and scientific research.

Hurricane Sandy Disaster Relief Medical Scientific Research Restoration

On July 1, 2013, nearly 9 months after Hurricane Sandy made landfall, NIH began awarding Disaster Relief Act funds to NYU School of Medicine for the restoration of its medical scientific research activities damaged by Hurricane Sandy. Specifically, for the period July 1, 2013, through September 30, 2015, NIH awarded \$127.8 million in Disaster Relief Act funding for Grantee Research Programs to NYU School of Medicine.² NYU School of Medicine planned to use the funds to restore experiments and reestablish research programs affected by the loss of bio-specimens, animals, data, and time. As of April 30, 2014, NYU School of Medicine claimed \$25.1 million of its Disaster Relief Act grant funds for repair and restoration activities.³

Federal Requirements

By accepting the Disaster Relief Act grant funds, NYU School of Medicine agreed to comply with regulations governing Federal grants. Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing Department grants and agreements awarded to educational entities. As an educational entity in receipt of Federal funds, NYU School of Medicine must comply with Federal cost principles in 2 CFR part 220, *Cost Principles for Educational Institutions*.⁴ These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable.

² From May through October 2013, NYU School of Medicine submitted to NIH 225 Disaster Relief Act grant applications for funds totaling \$158.5 million, of which NIH awarded \$127.8 million. The applications contained detailed budgets based on estimated costs for restoring NYU School of Medicine's medical scientific research activities.

³ As of October 27, 2015, NYU School of Medicine claimed \$59 million of its Disaster Relief Act grant funds for repair and restoration activities.

⁴ The Office of Management and Budget Circular No. A-21 *Cost Principles for Educational Institutions* was relocated to 2 CFR part 220 and made applicable by 45 CFR § 74.27(a). Although not applicable to this audit, HHS promulgated new grant regulations at 45 CFR part 75. The new regulation applies only to awards made on or after December 26, 2014.

HOW WE CONDUCTED THIS REVIEW

We reviewed budgeted costs for 10 grants for which NIH awarded Disaster Relief Act funds totaling \$69 million and for which NYU School of Medicine had expended \$1.4 million of these funds. We also reviewed a random sample of expenditures totaling \$8.5 million of the \$25.1 million in Disaster Relief Act costs that NYU School of Medicine claimed to restore its medical scientific research activities for the period July 1, 2013, through April 30, 2014.⁵

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 objectives.

The Appendix contains the details of our audit scope and methodology.

RESULTS OF REVIEW

NYU School of Medicine appropriately budgeted and claimed allowable Hurricane Sandy Disaster Relief Act funding. Accordingly, this report contains no recommendations.

⁵ The \$8.5 million in reviewed expenditures included \$1.1 million of the \$1.4 million associated with the 10 grants for which we reviewed all budgeted costs.

APPENDIX: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed budgeted costs for 10 grants for which NIH awarded Disaster Relief Act funds totaling \$69 million and for which NYU School of Medicine had expended \$1.4 million of the funds. We also reviewed a random sample of expenditures totaling \$8.5 million of the \$25.1 million in Disaster Relief Act costs that NYU School of Medicine claimed to restore its medical scientific research activities for the period July 1, 2013, through April 30, 2014, and reviewed the internal controls that NYU School of Medicine implemented to manage Disaster Relief Act funds.

We performed our fieldwork at the NYU Langone Medical Center in New York, New York, from August 2014 through June 2015.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations and guidance;
- met with NYU School of Medicine officials to discuss procedures for allocating, accounting for, reporting on, and monitoring the use of Hurricane Sandy funds;
- reviewed NYU School of Medicine's request for applications (SF-424-R&R) related to the repair and restoration of medical scientific research activities and NIH's notices of awards to gain an understanding of the projects, objectives, and terms and conditions of the awards;
- reviewed NYU School of Medicine's funding applications for the repair and restoration of medical scientific research activities and determined whether proposed budgeted costs were appropriate;
- reviewed NYU School of Medicine's financial, budgeting, and procurement policies;
- interviewed NYU School of Medicine's officials and reviewed NYU School of Medicine's internal controls and procedures for managing and claiming Disaster Relief Act funds to obtain an understanding of how NYU School of Medicine allocated costs to different Federal awards;
- obtained from NIH an electronic database of 225 Disaster Relief Act grants awarded to NYU School of Medicine, totaling \$127,797,862, as of June 13, 2014;
- obtained from NYU School of Medicine an electronic database of 224 grants awarded from NIH, totaling \$129,047,512, as of June 18, 2014;

- reviewed 10 grants, totaling \$68,999,922, to determine whether budgeted expenditure amounts were in accordance with Hurricane Sandy guidelines;
- reconciled databases of grant expenditures provided by NIH and NYU School of Medicine and created a sampling frame of 214 award expenditures, totaling \$25,129,852;⁶
- selected a stratified random sample of 103 of the 214 award expenditures;⁷
- reviewed 51 of the 103 sampled award expenditures,⁸ totaling \$8,522,506, and, for each award expenditure, determined whether:
 - the related expenses were covered by Federal Emergency Management Agency or other assistance (e.g., insurance);
 - NYU School of Medicine’s controls and monitoring techniques (such as accounting for and reporting expenditures, maintaining documentation to support expenditures, and onsite visits and/or follow-up actions) ensured that funds were used as intended and whether controls were appropriate, effective, and implemented in accordance with the Disaster Relief Act; and
 - costs were allowable and aligned with NIH-approved budgets; and
- discussed the results of our review with NYU School of Medicine officials.

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 objectives.

⁶ We determined that the differences between the databases were due to timing and classification of the award expenditures.

⁷ We separated the sampling frame into four strata. Stratum 1 consisted of award-expenditure amounts of \$70,000 or less (84 award expenditures totaling \$3,179,893), stratum 2 consisted of award-expenditure amounts of \$70,000.01 to \$150,000 (75 award expenditures totaling \$7,987,183), stratum 3 consisted of award-expenditure amounts of \$150,000.01 to \$500,000 (52 award expenditures totaling \$12,283,389), and stratum 4 consisted of award-expenditure amounts of \$500,000.01 or greater (3 award expenditures totaling \$1,679,387). We selected 30 award expenditures from stratum 1, 35 each from strata 2 and 3, and all 3 from stratum 4.

⁸ We limited our review to 51 of the 103 sampled award expenditures because we decided that we could reasonably determine whether NYU School of Medicine accurately billed award expenditures using a smaller sample size. We reviewed 15 award expenditures from stratum 1 (totaling \$654,581), 16 award expenditures from stratum 2 (totaling \$1,731,298), 17 award expenditures from stratum 3 (totaling \$4,457,240), and all 3 award expenditures from stratum 4 (totaling \$1,679,387).