



DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION III  
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July 9, 2012

**TO:** Francis S. Collins, M.D., Ph.D.  
Director  
National Institutes of Health

**FROM:** /Stephen Virbitsky/  
Regional Inspector General  
for Audit Services

**SUBJECT:** Georgetown University Costs Claimed Under the Recovery Act for National Institutes of Health Grant Number 1RC2NS069450 Were Allowable.  
(A-03-11-03302)

The attached final report provides the results of our review of Georgetown University's Recovery Act costs claimed under the National Institutes of Health Grant Number 1RC2NS069450.

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 your staff may contact Michael Walsh, Audit Manager, at (215) 861-4480 or through email at [Michael.Walsh@oig.hhs.gov](mailto:Michael.Walsh@oig.hhs.gov). Please refer to report number A-03-11-03302 in all correspondence.

Attachment

cc:

Meredith Stein  
OIG/GAO Liaison  
National Institutes of Health

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**GEORGETOWN UNIVERSITY  
COSTS CLAIMED UNDER THE  
RECOVERY ACT FOR  
NATIONAL INSTITUTES  
OF HEALTH GRANT  
NUMBER 1RC2NS069450  
WERE ALLOWABLE**



Daniel R. Levinson  
Inspector General

July 2012  
A-03-11-03302

# *Office of Inspector General*

<http://oig.hhs.gov>

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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:

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The Office of Audit Services (OAS) provides 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. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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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

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted on February 17, 2009, provided \$8.2 billion to the Office of the Director of the National Institutes of Health (NIH) to help stimulate the economy through the support and advancement of scientific research. Of the \$8.2 billion, the Recovery Act transferred \$7.4 billion to the NIH Institutes and Centers and to the Common Fund. In addition, the Recovery Act provided \$400 million for comparative effectiveness research. NIH allocated \$300 million of Recovery Act funding to the National Center for Research Resources for shared instrumentation and other capital equipment.

Recovery Act funds were used to award grants and cooperative agreements to research entities including nonprofit and for-profit organizations, universities, hospitals, research foundations, governments and their agencies, and occasionally individuals.

### Cost Principles

Federal regulations (45 CFR Part 74) provide the uniform administrative requirements for awards and subawards to institutions of higher education and other non-profit and commercial organizations. The allowability of costs incurred by institutions of higher education are determined in accordance with the cost principles contained in Office of Management and Budget Circular A-21 *The Cost Principles for Educational Institutions* (2 CFR part 220).

NIH provides additional guidance through the *National Institutes of Health Grants Policy Statement* (Grants Policy Statement). The Grants Policy Statement provides NIH grantees, in a single document, the policy requirements that serve as the terms and conditions of NIH grant awards. The Grants Policy Statement provides general information, application information, and specifies the terms and conditions that apply to particular types of grants, grantees, and activities that differ from, supplement, or elaborate on the standard terms and conditions.

### Recovery Act Award to Georgetown University

Georgetown University (the University), established in 1789, is an academic and research institution in the District of Columbia. The University secured more than \$200 million in research awards during fiscal year 2010. The University Medical Center, its largest research center, conducts basic and clinical research, including 300 active clinical trials. NIH awarded the University a Recovery Act grant in the amount of \$3,907,801 for comparative effectiveness research related to the development of models of Parkinson's Disease that might be more predictive in drug development. The budget period for the grant was September 30, 2009, through August 31, 2011. As of June 30, 2011, the University had claimed \$2,565,673 under the grant. NIH requested that we perform an audit of the costs claimed.

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

### **Objective**

Our objective was to determine whether Recovery Act costs claimed by the University were allowable under the terms of the grant and applicable Federal regulations.

### **Scope**

We reviewed the \$2,565,673 in costs the University claimed through June 30, 2011, for NIH award 1RC2NS069450, consisting of \$2,361,075 for direct costs and \$204,598 for indirect costs. We did not perform an overall assessment of the grantee's internal control structure. Rather, we limited our evaluation of the grantee's accounting system to obtaining an understanding of internal control as it relates to the specific objective of our audit.

We performed field work at the University's accounting office in the District of Columbia during the period August through September 2011.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed grant announcements, grant applications, and notices of grant award;
- reviewed the University's audited financial statements and management letters as of June 30, 2010;
- identified awarded and expended funds in the grantee's accounting records as of June 30, 2011;
- summarized costs by cost category from expenditure reports;
- verified mathematical accuracy of the expenditure reports;
- compared budgeted amounts to actual costs;
- determined that fringe benefits and indirect cost rates used by the University were consistent with the HHS Division of Cost Allocation rate agreement and that the rates were properly applied; and
- reviewed selected direct expenses for a judgmental sample by tracing expenditures to supporting documentation, including accounting records and invoices.

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 AUDIT**

Based on the evidence reviewed, we did not identify any discrepancies that would indicate that the University's total costs claimed of \$2,565,673 were not allowable in accordance with the terms of the grant and Federal cost principles. Consequently, this report has no recommendations.