



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IV
61 FORSYTH STREET, SW, SUITE 3T41
ATLANTA, GA 30303

April 13, 2012

Report Number: A-04-11-01006

John C. Hitt, Ph.D., President
Office of the President
University of Central Florida
P.O. Box 160002
Orlando, FL 32816-0002

Dear Dr. Hitt:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *University of Central Florida Claimed Allowable Costs Under a Recovery Act Grant*. We will forward a copy of this report to the HHS action official noted below.

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 direct them to the HHS action official. Please refer to report number A-04-11-01006 in all correspondence.

Sincerely,

/Lori S. Pilcher/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Lorraine M. Trexler, Director
Division of Financial Advisory Services
OAMP, OALM
National Institute of Health
6011 Executive Blvd. Room 549-C
Rockville, MD 20892-7663

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**UNIVERSITY OF CENTRAL FLORIDA
CLAIMED ALLOWABLE COSTS UNDER
A RECOVERY ACT GRANT**



Daniel R. Levinson
Inspector General

April 2012
A-04-11-01006

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:

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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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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 for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

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

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 into 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.

Federal Requirements for Grantees

Federal regulations (45 CFR part 74) provide the uniform administrative requirements for awards and subawards to institutions of higher education and other nonprofit and commercial organizations. Pursuant to 45 CFR § 74.27, the allowability of costs incurred by institutions of higher education are determined in accordance with the cost principles contained in 2 CFR part 220 (formerly Office of Management and Budget (OMB) Circular A-21), *Cost Principles*. These cost principles require that, to be allowable, costs must be reasonable, be allocable, and conform to any exclusions or limitations set forth in the cost principles or sponsored agreements.

University of Central Florida

The University of Central Florida (the grantee) is a State university located in Orlando, Florida. NIH awarded the grantee a Recovery Act grant in the amount of \$1,310,749. The purpose of this grant is to enhance physically active lifestyles among urban-dwelling older adults and low-income ethnic minorities. The grant budget period is August 17, 2009, through July 31, 2012; as of June 30, 2011, the grantee had claimed \$705,541 (\$486,760 direct and \$218,781 facilities and administrative (F&A)).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed the total \$705,541 in costs that the grantee claimed through June 30, 2011, for NIH grant 1R01HL091793 (5R01HL091793).

We limited our assessment of the grantee's internal controls to those that relate to our audit objective. We performed fieldwork at the grantee's administrative office in Orlando, Florida, in July 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations;
- reviewed grant announcements, grant applications, and notices of grant award;
- identified expended funds in the grantee's accounting records as of June 30, 2011;
- summarized costs by cost category from expenditure reports;
- recalculated amounts on the June 30, 2011, expenditure report to verify the mathematical accuracy;
- analyzed all differences between budgeted and actual expenditures;
- reviewed all costs claimed under the grants for allowability;
- computed the F&A costs related to unallowable direct costs; and
- discussed the results of our review with grantee 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 objective.

RESULTS OF AUDIT

The grantee's claimed costs of \$705,541 were allowable under the terms of the grant and applicable Federal regulations. Consequently, this report has no recommendations.