

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The National Institutes of Health's (NIH) use of "other transactions" (OTs), which are special award instruments that are generally not subject to Federal laws and regulations that apply to traditional award instruments, increased by \$314 million from 2016 to 2019. The Federal Government generally uses OTs for high-risk, high-reward research and development projects. Although OTs are subject to fewer restrictions than contracts, grants, or cooperative agreements, they must be awarded and administered in a way that ensures proper stewardship of Federal funds.

From October 1, 2016, through September 30, 2019 (audit period), the NIH National Heart, Lung, and Blood Institute (NHLBI) awarded \$84.3 million in Federal funds under 29 OTs.

Our objective was to determine whether NHLBI complied with applicable Federal requirements for awarding and administering OTs.

How OIG Did This Audit

Our audit covered a judgmental sample of 12 OTs totaling \$71.9 million that NHLBI awarded and administered during the audit period.

Our audit procedures focused on whether NHLBI documentation for the sampled OTs provided evidence of compliance with Federal requirements. This audit is responsive to a U.S. Office of Special Counsel complaint referral.

The National Heart, Lung, and Blood Institute Did Not Fully Comply With Federal Requirements for Other Transactions

What OIG Found

NHLBI did not fully comply with Federal requirements for awarding and administering OTs during our audit period. For the 12 OTs in our sample, NHLBI did not adequately document: (1) its justifications for using OTs rather than traditional award instruments; (2) that awarded amounts were fair and reasonable and incurred costs were allowable; or (3) that it complied with Federal requirements for obligating annual appropriations.

NHLBI did not adequately document its compliance with applicable Federal requirements because its internal controls for awarding and administering OTs were ineffective. As a result, NHLBI could not ensure the proper stewardship of Federal funds used to award OTs, including the \$71.9 million we reviewed.

What OIG Recommends and NIH Comments

We recommend that NHLBI strengthen its internal controls for OTs by updating its policies and procedures to properly document its justifications for using OTs instead of traditional award instruments and to determine fairness and reasonableness of award amounts, allowability of costs, and compliance with Federal funding requirements.

In written comments on our draft report, NIH concurred with our recommendations and said that it would update its policies and procedures by November 15, 2021, to reflect our recommendations.