



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region V
233 North Michigan Avenue
Suite 1360
Chicago, IL 60601

February 15, 2012

Report Number: A-05-11-00097

Carolyn P. Hafner
Assistant Vice President, Internal Audit
Wayne State University
5700 Cass Avenue
Suite 3300 A/AB
Detroit, MI 48202

Dear Ms. Hafner:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Wayne State University Claimed Allowable Costs Under Recovery Act Grant No. R01GM084248*. 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-05-11-00097 in all correspondence.

Sincerely,

/Sheri L. Fulcher/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**WAYNE STATE UNIVERSITY
CLAIMED ALLOWABLE COSTS
UNDER RECOVERY ACT GRANT
No. R01GM084248**



Daniel R. Levinson
Inspector General

February 2012
A-05-11-00097

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 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.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/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 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 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.

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 NIH Grantees

The regulations at 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. 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 pt. 220 (formerly Office of Management and Budget (OMB) Circular A-21), *Cost Principles for Educational Institutions*.

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 Wayne State University

Wayne State University (the grantee), founded in 1868, is a nationally recognized metropolitan research institution located in Detroit, Michigan. NIH awarded the grantee a Recovery Act grant in the amount of \$434,811 for comparative effectiveness research. The grant budget period was September 25, 2009, through August 31, 2011; as of June 30, 2011, the grantee had claimed \$324,372 (\$228,041 direct costs and \$96,331 indirect costs) under the NIH grant.

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 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 (1) obtaining an understanding of internal control as it relates to the specific objective and scope of the audit, and (2) reviewing the grantee's financial audits performed by an independent auditor.

We limited our review to costs the grantee claimed for NIH grant R01GM084248 during the period September 25, 2009, through June 30, 2011. During the review period, the grantee claimed \$324,372. We reviewed \$39,530 of the direct costs claimed by the grantee as of June 30, 2011.

We performed field work at the grantee's administrative office in Detroit, Michigan in July 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and other guidance;
- reviewed grant announcements, grant applications, and notices of grant award;
- interviewed grantee officials;
- reviewed the grantee's independent auditor's reports and management letters for fiscal years 2009 and 2010;
- identified expended funds in the grantee's accounting records as of June 30, 2010;
- summarized costs by cost category from expenditure reports;
- verified mathematical accuracy of the expenditure report;
- compared budgeted and actual expenditures;
- reviewed selected costs claimed under the grants for allowability.

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 finding and conclusion based on our audit objective.

RESULTS OF AUDIT

The \$39,530 in grant costs covered by our review were allowable under the terms of the grant and applicable Federal regulations.