

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**WAYNE STATE UNIVERSITY
CLAIMED ALLOWABLE COSTS
UNDER NATIONAL INSTITUTES
OF HEALTH GRANT
No. R01NS039860**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Sheri L. Fulcher
Regional Inspector General**

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Office of Inspector General

<https://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.

INTRODUCTION

Wayne State University claimed allowable costs under the terms of its NIH grant and applicable Federal regulations.

WHY WE DID THIS REVIEW

Oversight and management of grant programs is crucial to the U.S. Department of Health and Human Services' (HHS) mission and to the health and well-being of the public. Audits of National Institutes of Health (NIH) and other HHS grantees have found internal control deficiencies, problems with financial stability, inadequate organizational structures, inadequate procurement and property management policies, and inadequate personnel policies and procedures.

OBJECTIVE

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

BACKGROUND

The NIH is the steward of medical and behavioral research for the nation. Its mission is science in pursuit of fundamental knowledge about the nature and behavior of living systems and the application of that knowledge to extend healthy life and reduce the burdens of illness and disability. Research supported through the issuance of grants and cooperative agreements enable NIH to fulfill its mission to make medical discoveries that improve health and save lives.

NIH grants and cooperative agreements are awarded as discretionary grants. NIH has the authority to determine the recipient of the grant and/or cooperative agreement and the amount awarded. NIH programs are legislatively authorized by Congress, which also defines the purpose and policy, authorization of appropriations, allotment of funds, limitation on assistance, and other things, for the programs. Furthermore, each Institute and Center establishes specific goals for the unit, grant programs, and activities.

Wayne State University (the grantee), founded in 1868, is a nationally recognized metropolitan research institution located in Detroit, Michigan. NIH awarded \$1,704,751 to the grantee to support efforts for the research grant project R01NS039860 entitled "Control of Microvascular Tone in Traumatic Brain Injury." The grantee claimed \$856,552 (\$564,839 direct costs and \$291,713 indirect costs) under the NIH grant for the period of May 1, 2007, through April 30, 2010.

HOW WE CONDUCTED THIS REVIEW

We limited our review to \$358,384 in costs claimed by the grantee for NIH grant R01NS039860. Specifically, we reviewed \$66,671 of the direct costs and \$291,713 of the indirect costs that were claimed by the grantee for the period of May 1, 2007, through April 30, 2010. 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 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.

Appendix A contains details of our audit scope and methodology. Appendix B contains details on the Federal requirements related to NIH grantees.

We conducted field work at the grantee's administrative office in Detroit, Michigan during June 2013.

RESULTS OF REVIEW

The \$358,384 in costs covered by our review were allowable under the terms of the grant and applicable Federal regulations. Accordingly, this report contains no recommendations.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

We limited our review to \$358,384 in costs claimed by the grantee for NIH grant R01NS039860. Specifically, we reviewed \$66,671 of the direct costs and \$291,713 of the indirect costs that were claimed by the grantee for the period of May 1, 2007, through April 30, 2010. 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 conducted field work at the grantee's administrative office in Detroit, Michigan during June 2013.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and program guidance;
- reviewed the grantee's policies and procedures on finance, payroll, travel, and internal controls;
- reviewed the grantee's independent auditor's reports for fiscal years 2010, 2011 and 2012;
- interviewed grantee officials;
- reconciled the expenditure report to the amount claimed on the final Federal Financial Report (SF-425);
- summarized costs by cost category from the expenditure report;
- compared budgeted and actual expenditures;
- verified whether the claimed indirect costs and fringe benefits were accurately computed using the negotiated indirect cost rates and fringe benefit rates; and
- judgmentally selected and reviewed a total of \$358,384 in costs claimed under the grant 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 findings and conclusions based on our audit objectives.

APPENDIX B: FEDERAL REQUIREMENTS FOR NATIONAL INSTITUTES OF HEALTH GRANTEES

Federal Regulations and National Institutes of Health Policies

The allowability of costs incurred by institutions of higher education are determined in accordance with the cost principles contained in 2 CFR pt. 220 (Office of Management and Budget (OMB) Circular A-21), *Cost Principles for Educational Institutions*, as required by 45 CFR § 74.27.

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.