

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE OHIO STATE UNIVERSITY
MONITORED SUBRECIPIENTS AND
CLAIMED ALLOWABLE
NATIONAL INSTITUTES OF HEALTH
GRANT COSTS**

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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.

The Ohio State University, a National Institutes of Health grantee, monitored subrecipients and claimed allowable costs in accordance with Federal regulations.

INTRODUCTION

WHY WE DID THIS REVIEW

The Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards¹ (commonly called Uniform Guidance) was intended to ease the administrative burden and cost of compliance for entities that receive Federal awards. The U.S. Department of Health and Human Services (HHS) implemented the Uniform Guidance at 45 CFR part 75, which was effective for awards and award increments made on or after December 26, 2014. The new rule requires a prime Federal award recipient to perform preaward subrecipient risk assessments and monitor the programmatic activities of subrecipients throughout the life of each subaward. We planned to review colleges' and universities' controls over the subcontracting of National Institutes of Health (NIH) grant and contract work.

As a recipient of NIH grant funds, The Ohio State University (OSU) must comply with the requirements set out in 45 CFR part 75 for subrecipient monitoring and Federal cost principles.

OBJECTIVE

Our objective was to determine whether OSU monitored subrecipients and claimed costs as a subrecipient in accordance with NIH grant policies and Federal regulations.

BACKGROUND

National Institutes of Health

Within HHS, NIH is the agency that is responsible for the Nation's medical and behavioral research. Its mission is to seek fundamental knowledge about the nature and behavior of living systems and the application of that knowledge to enhance health, lengthen life, and reduce illness and disability. NIH operates under the general policy guidance of HHS in carrying out its mission. In Federal fiscal year (FFY) 2015, NIH awarded over \$16 billion in grants and contracts to domestic institutions of higher education.

The Ohio State University

OSU is a top-rated research and academic center. OSU is a prime recipient and a subrecipient of NIH grants. In FFY 2015, NIH awarded over \$136 million in grants and contracts to OSU.

¹ 2 CFR part 200.

Federal Regulations

Federal cost principles provide subrecipient monitoring and management requirements applicable to all non-Federal entities that provide a subaward to a subrecipient to carry out part of a Federal program.² OSU, as a prime recipient and subrecipient, is required to comply with applicable Federal requirements and ensure that grant costs submitted for Federal reimbursement are reasonable, allocable, and otherwise allowable.

HOW WE CONDUCTED THIS REVIEW

Our audit covered 83 NIH grants for which OSU was the prime recipient and issued subawards to various colleges, universities, and private entities for a portion of the grant funds. For these 83 grants, OSU's subrecipients claimed expenditures totaling \$11 million during the period of January 2015 through March 2016 (audit period). In addition, our audit covered 169 NIH grants that were awarded to various colleges, universities, and private entities that issued a subaward to OSU. For these 169 grants, OSU claimed costs as the subrecipient totaling \$18 million during the audit period.

We selected a sample of 30 of the 83 grants for which OSU was the prime recipient and issued subawards under the grant. For the grants selected, we reviewed a total of \$120,052 in costs incurred by OSU's subrecipients and OSU's risk assessment and monitoring activities of the subrecipients. Also, we reviewed OSU's facilities and administrative (F&A) costs for each selected grant.

In addition, we selected a sample of 30 of the 169 grants for which OSU was a subrecipient. We reviewed a total of \$640,897 in costs OSU claimed as the subrecipient, including salary and wages, equipment, supplies, and travel.

We limited our internal control review to obtaining an understanding of OSU's policies and procedures for monitoring subrecipients and claiming costs as a subrecipient.

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.

The Appendix contains the details of our audit scope and methodology.

RESULTS OF REVIEW

OSU monitored subrecipients and claimed costs as a subrecipient in accordance with NIH grant policies and Federal regulations. Accordingly, this report contains no recommendations.

² 45 CFR §§ 75.351 through 75.353.

APPENDIX: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 83 NIH grants for which OSU was the prime recipient and issued subawards to various colleges, universities, and private entities for a portion of the grant funds. For these 83 grants, OSU's subrecipients claimed expenditures totaling \$11 million during the period of January 2015 through March 2016 (audit period). In addition, our audit covered 169 NIH grants that were awarded to various colleges, universities, and private entities that issued a subaward to OSU. For these 169 grants, OSU claimed costs as the subrecipient totaling \$18 million during the audit period.

We limited our internal control review to obtaining an understanding of OSU's policies and procedures for monitoring subrecipients and claiming costs as a subrecipient.

We performed fieldwork from May through August 2016 at OSU in Columbus, Ohio.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with NIH officials and reviewed applicable NIH grant policies and procedures;
- held discussions with OSU officials regarding grant policies and procedures for monitoring of subrecipients and claiming allowable costs;
- reviewed a sample of 30 NIH grants that were awarded or had incremental funding to OSU on or after December 26, 2014, and contained a subaward from OSU;
- reviewed \$120,052 in costs incurred by OSU's subrecipients, OSU's risk assessment and monitoring activities of the subrecipients, and F&A costs claimed;
- reviewed a sample of 30 NIH grants that were awarded or had incremental funding on or after December 26, 2014, for which OSU was a subrecipient;
- reviewed \$640,897 in costs OSU claimed as the subrecipient;
- reviewed OSU's HHS-approved rate agreement for the F&A cost rates applicable to the audit period; and
- discussed our results with OSU.

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.