



January 19, 2012

Report Number: A-06-11-00054

Ms. Jodi S. Ogden
Office of Sponsored Projects
The University of Texas Health
Science Center at Houston
7000 Fannin Street
Houston, TX 77030

Dear Ms. Ogden:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *The University of Texas Health Science Center at Houston Supported Costs Related to the National Institutes of Health 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-06-11-00054 in all correspondence.

Sincerely,

/Patricia Wheeler/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Lorraine M. Trexler, Director
Division of Financial Advisory Services
Office of the Director
National Institutes of Health
6011 Executive Boulevard, Room 549-C
Rockville, MD 20892

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON
SUPPORTED COSTS RELATED TO THE
NATIONAL INSTITUTES OF HEALTH
RECOVERY ACT GRANT**



Daniel R. Levinson
Inspector General

January 2012
A-06-11-00054

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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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

National Institutes of Health Scientific Research

The National Institutes of Health (NIH), a component of the U.S. Department of Health and Human Services, is the nation's medical research agency. NIH is made up of 27 Institutes and Centers, each with a specific research agenda for improving health and increasing life expectancy.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, provided an additional \$10.4 billion to NIH for fiscal years 2009 and 2010. Of the total, \$8.2 billion was for helping the economy through the support and advancement of scientific research. Of the \$8.2 billion, \$7.4 billion was to be allocated proportionately to the Institutes and Centers and Common Fund, and \$800 million was to be allocated to the Office of the Director. In addition, the Recovery Act provided \$1 billion to support the Extramural Construction program for meeting research facility needs at institutions, \$500 million for NIH buildings and facilities, \$400 million for comparative effectiveness research,¹ and \$300 million for capital equipment.

University of Texas Health Science Center at Houston

The University of Texas Health Science Center at Houston (the University) was the primary recipient of funds for the Genome-Wide Association Studies. The University received \$1,550,402 in NIH funding for the period July 1, 2009, to June 30, 2011. The University collaborated with four other universities and one hospital, awarding them cost-reimbursable subawards totaling \$568,274.

Federal Requirements

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant-related financial data, effective control over grant funds, and the proper allocation of costs to all benefitting programs. In addition, grantees must establish written procurement procedures. Grantees are also required to maintain inventory control systems and take periodic physical inventory of grant-related equipment. In addition, pursuant to 45 CFR § 74.27, the allowability of costs incurred by organizations of higher education is determined in accordance with the provisions of Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*.

¹ Comparative effectiveness research is designed to inform health care decisions by providing evidence of the effectiveness, benefits, and harms of different treatment options. The evidence is generated from research studies that compare drugs, medical devices, tests, surgeries, or ways to deliver health care.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Recovery Act costs the University claimed for reimbursement were allowable, allocable, and reasonable and in accordance with applicable Federal regulations.

Scope

We conducted a limited review of the University's financial management system and related policies and procedures. Therefore, we did not perform an overall assessment of the University's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed our fieldwork at the University's administrative offices in Houston, Texas, in July 2011.

Methodology

To accomplish our objective, we reviewed:

- relevant Federal laws, regulations, and guidance;
- the University's application for the grant award;
- the University's policies and procedures related to grants and subaward agreements;
- the University's organizational chart and program under which grant activities were to be performed;
- the University's general ledger, payroll records, and travel records;
- invoices and other supporting documentation for a judgmental sample of expense transactions from the University's maintenance and operations account;
- the University's audited financial statements for the period July 1, 2009, to June 30, 2011; and
- agreements and supporting documentation for expenditures related to subawards.

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 REVIEW

Based on our assessment, the Recovery Act costs claimed by the University for reimbursement were allowable, allocable, and reasonable and are in accordance with applicable Federal regulations. Accordingly, this report has no recommendations.