



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION VII
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June 14, 2012

TO: Lorraine M. Trexler
Director, Division of Financial Advisory Services
National Institutes of Health

FROM: /Patrick J. Cogley/
Regional Inspector General
Office of Inspector General, Office of Audit Services, Region VII

SUBJECT: The University of Utah Claimed Allowable Costs Under American Recovery and Reinvestment Act of 2009 Grant Numbers 1RC2LM010798-01 and 5RC2LM010798-02 (A-07-11-06025)

The attached final report provides the results of our review of costs claimed by the University of Utah for National Institutes of Health grants awarded under the provisions of the American Recovery and Reinvestment Act of 2009.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (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 do not hesitate to call me at (816) 426-3591, or your staff may contact James Korn, Audit Manager, at (303) 844-7153 or through email at James.Korn@oig.hhs.gov. Please refer to report number A-07-11-06025 in all correspondence.

Attachment

cc:
Meredith Stein
Director, Division of Risk Management
National Institutes of Health

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE UNIVERSITY OF UTAH
CLAIMED ALLOWABLE COSTS
UNDER AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009
GRANT NUMBERS 1RC2LM010798-01
AND 5RC2LM010798-02**



Daniel R. Levinson
Inspector General

June 2012
A-07-11-06025

Office of Inspector General

<http://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

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 the 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 to individuals.

Federal Requirements for National Institutes of Health Grantees

Federal regulations at 45 CFR part 74 provide for the uniform administrative requirements for awards and sub-awards to institutions of higher education and other nonprofit 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 and application information and specifies the terms and conditions, applicable to particular types of grants, grantees, and activities, that differ from, supplement, or elaborate on the standard terms and conditions.

Recovery Act Awards to the University of Utah

The University of Utah (the grantee), founded in 1850, is a metropolitan research institution located in Salt Lake City, Utah. NIH awarded the grantee two Recovery Act grants (an original and a subsequent award) totaling \$2.8 million for research related to developing a master person index that unambiguously identifies each person who has received health care in the State of Utah. The grant period was September 30, 2009, through September 29, 2011; the grantee has requested a third-year, no-cost extension, and consequently has not spent all of the grant funds. As of September 29, 2011, the grantee had claimed \$1,359,814 under the NIH grants.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether costs claimed by the grantee were allowable under the terms of the grants 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 obtaining an understanding of internal control as it related to our specific audit objective.

We limited our review to costs the grantee claimed through September 29, 2011, for NIH grants numbered 1RC2LM010798-01 and 5RC2LM010798-02. During the review period, the grantee claimed \$1,359,814. We reviewed \$1,356,578 of these claimed costs.¹

We performed fieldwork at the grantee's administrative office in Salt Lake City, Utah, in September 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and other guidance;
- reviewed grant announcements, grant applications, and notices of grant awards;
- interviewed grantee officials to gain an understanding of the grantee's accounting system and internal controls for claiming costs under the NIH grants;
- identified expended funds in the grantee's accounting records as of September 29, 2011;
- summarized costs by cost category from expenditure reports;
- recalculated amounts on the September 29, 2011, expenditure report to verify mathematical accuracy;
- compared budgeted to actual expenditures;
- reviewed judgmentally selected costs claimed under the grants for allowability; and
- discussed the results of our review with grantee officials on January 26, 2012.

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.

¹ We did not sample 100 percent of the costs claimed due to materiality.

RESULTS OF REVIEW

Based on our review of judgmentally selected costs claimed under the grants, we determined that the grantee's claimed costs of \$1,359,814 were allowable under the terms of the grants and applicable Federal regulations. This report therefore makes no recommendations.