



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

TO: Francis S. Collins, M.D., Ph.D.
Director
National Institutes of Health

FROM: Lori A. Ahlstrand
Regional Inspector General for Audit Services, Region IX

SUBJECT: Claremont McKenna College's Costs Claimed Under the Recovery Act for
National Institutes of Health Grant 1R15GM088748-01 Were Allowable
(A-09-11-01008)

The attached final report provides the results of our review of costs that Claremont McKenna College claimed under the American Recovery and Reinvestment Act for National Institutes of Health (NIH) grant 1R15GM088748-01. NIH requested that we conduct this audit.

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 (415) 437-8360, or your staff may contact Danuta Biernat, Audit Manager, Region IX, at (323) 261-7218, extension 701, or through email at Danuta.Biernat@oig.hhs.gov. Please refer to report number A-09-11-01008 in all correspondence.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

February 14, 2012

Report Number: A-09-11-01008

Mr. Gregory Hess
Vice President for Academic Affairs and Dean of the Faculty
Claremont McKenna College, Bauer Center
500 East Ninth Street
Claremont, CA 91711-6400

Dear Mr. Hess:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Claremont McKenna College's Costs Claimed Under the Recovery Act for National Institutes of Health Grant 1R15GM088748-01 Were Allowable*. 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-09-11-01008 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Lorraine M. Trexler, Director
Division of Risk Management & Audit Liaison
OAMP, OALM
National Institutes of Health
6011 Executive Boulevard, Room 549-C
Rockville, MD 20892-7663

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CLAREMONT MCKENNA COLLEGE'S
COSTS CLAIMED UNDER THE
RECOVERY ACT FOR
NATIONAL INSTITUTES OF HEALTH
GRANT 1R15GM088748-01
WERE ALLOWABLE**



Daniel R. Levinson
Inspector General

February 2012
A-09-11-01008

Office of Inspector General

<http://oig.hhs.gov>

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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.

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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

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, included measures to modernize the Nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, and protect those in greatest need. Office of Management and Budget memorandum M-09-15, dated April 3, 2009, states that Federal agencies must take steps, beyond standard practice, to initiate additional oversight mechanisms to mitigate the unique implementation risks of the Recovery Act.

In accordance with the Recovery Act, the Office of Inspector General (OIG) provides oversight of covered funds within the U.S. Department of Health and Human Services (HHS) to prevent fraud, waste, and abuse. In light of this oversight role, OIG conducts audits to determine whether HHS grantees have claimed costs in accordance with applicable Federal regulations and cost principles.

National Institutes of Health Funding Under the Recovery Act

The Recovery Act provided approximately \$10.4 billion to the National Institutes of Health (NIH), including \$8.2 billion intended to stimulate the economy through the support and advancement of scientific research. NIH used these funds to award grants and cooperative agreements to research entities, including nonprofit and for-profit organizations, universities, hospitals, governments and their agencies, and occasionally individuals.

Claremont McKenna College

Claremont McKenna College (the College) is a nonprofit educational institution. The College, located in Claremont, California, is a coeducational liberal arts college with a curricular emphasis on economics, government, and public affairs. The College is a member of the Claremont Colleges, a consortium of five undergraduate colleges and two graduate institutions.

Under the Recovery Act, NIH awarded the College an academic research enhancement grant totaling \$191,867 for the period September 1, 2009, through August 31, 2012. The grant was for research work to prepare self-assembling nanostructures of discrete size (the project). As of June 30, 2011, the College had claimed \$113,006 in Recovery Act costs under the grant, consisting of salaries and wages of \$38,600, equipment costs of \$37,394, indirect costs of \$19,647, fringe benefits of \$8,843, and supply costs of \$8,522. NIH requested that we perform an audit of the costs claimed.

The College negotiated with the HHS Division of Cost Allocation a fringe benefit and indirect cost rate agreement that covered the period July 1, 2009, through June 30, 2011. Fringe benefit and indirect costs were based on a percentage of direct salaries and wages, including vacation,

holiday, sick pay, and other paid absences. The fringe benefit rate did not apply to student employees or research or teaching assistants.

Federal Requirements for Grantees

Pursuant to 45 CFR § 74.27, the allowability of costs incurred by colleges and universities is determined in accordance with the provisions of 2 CFR part 220, *Cost Principles for Educational Institutions* (formerly the Office of Management and Budget Circular A-21). The cost principles at 2 CFR part 220, Appendix A, section C.1, state that the cost of a sponsored agreement includes the allowable direct costs related to the performance of the project and the allocable portion of the indirect costs of the institution. Section C.4.d.(1) mandates that the institution receiving a Federal grant take responsibility for ensuring that all costs charged to the agreement are allowable.

To maximize the transparency and accountability of funds authorized under the Recovery Act and in accordance with 45 CFR § 74.21(b)(2), recipients agree to maintain records that adequately identify the source and application of Federal funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Recovery Act costs that the College claimed for reimbursement were allowable under the terms of the grant and in accordance with applicable Federal requirements.

Scope

We reviewed \$113,006 of costs that the College claimed under NIH grant 1R15GM088748-01 for the period September 1, 2009, through June 30, 2011. We limited our review of the College's internal controls to those that were significant to the objective of our audit.

We conducted our audit from August to November 2011 and performed fieldwork at the College office located in Claremont, California.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed the terms of the grant award;
- reviewed the grant application to obtain an understanding of the scope and objectives of the project;

- reconciled the quarterly Federal financial expenditure report for the quarter ended June 30, 2011, with the College's accounting records;
- reviewed the Single Audit Report covering the periods ended June 30, 2009, and June 30, 2010, and related financial statements for the College;
- obtained an understanding of the College's policies, procedures, and practices designed to segregate costs (including cost sharing), revenues, and assets by project;
- determined that the fringe benefit and indirect cost rates used by the College were consistent with the HHS Division of Cost Allocation rate agreement and that the rates were properly applied;
- reviewed direct cost expenditures for salaries, wages, and supplies by tracing judgmentally selected expenditures to supporting documentation, including personnel records, time records, time-and-effort reports, accounting records, and invoices; and
- reviewed all direct equipment expenditures by tracing the expenditures to supporting documentation, including accounting records, invoices, and inventory listings.

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 conclusion based on our audit objective.

RESULTS OF AUDIT

The \$113,006 of Recovery Act costs that the College claimed for the period September 1, 2009, through June 30, 2011, was allowable under the terms of the grant and in accordance with applicable Federal requirements. Consequently, this report has no recommendations.